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Canada. Coasting Trade, Royal Commission on

ROYAL COMMISSION ON COASTING TRADE

[Hearings]

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ROYAL COMMISSION ON COASTING TRADE

Hearing held at Port Arthur, Ontario, commencing at 2:00 p.m., Monday, August 22nd, 1955.

PRESENT:

THE CHAIRMAN, The Honourable Mr. Justice W. F. Spence.

MR. W.N. Wickwire, Q.C.) Commissioners
Mr. M. Belanger, C.A.)

Mr. D.W. Mundell, Q.C.) Commission Counsel
Mr. Paul Gerin-Lajoie)

Mr. H. Kemp - Economic Adviser to the Commission

---Mr. G. G. McLeod - Secretary

---Mr. P. Cimon - Ass't Secretary

THE CHAIRMAN: I think it will assist, those who are representing clients and those who wish to make submissions, if they would give their names so that we will have a listing.

MR. BRAYSHAW: Alderman William Brayshaw of the Joint---

THE CHAIRMAN: Will you come forward, please?

MR. BRAYSHAW: Alderman William Brayshaw of the Port Arthur Industrial Committee. That is the Joint Chamber in the City of Port Arthur.

THE CHAIRMAN: The Joint Committee?

MR. BRAYSHAW: Yes. It is the Port Arthur Industrial Committee.

COMMISSIONER WICKWIRE: Which?

MR. BRAYSHAW: The Port Arthur Industrial Committee.

THE CHAIRMAN: Yes.

MR. BRAYSHAW: That is the joint between the Port Arthur Chamber of Commerce, the Joint Committee and the City of Port Arthur.

THE CHAIRMAN: Thank you, Mr. Brayshaw.

MR. CHARNOCK: My name is E. W. Charnock. I hold a listening brief for the City of Fort William and the Fort William Chamber of Commerce. At the same time I have been asked by Mayor Badanai of Fort William to convey his regrets that he is not able to be here this afternoon to extend to you Gentlemen of the Commission his welcome on behalf of the organization and the City of Fort William and he would be glad to assist in any way he possibly can. Port Arthur and Fort William have worked very closely together in the many transport matters for many years.

We have here from Fort William also Aldernam Young, Alderman Spooner and from the Chamber of Commerce Mr. George Houston.

THE CHAIRMAN: I did not get the last name. Who from the Chamber of Commerce?

MR. CHARNOCK: Mr. Houston, George Houston.

MR. McDOUGALL: Gordon F. McDougall,

[illegible]

[illegible]

[illegible]

[illegible]: [illegible]

[illegible]: The Port Arthur [illegible]

[illegible].

THE CHAIRMAN: Yes.

[illegible]: That is the joint between [illegible] Chamber of Commerce, the Joint [illegible] of the City of Port Arthur.

[illegible]: Thank you, Mr. Prasvahan.

[illegible] Mr. Rose is [illegible].

[illegible] the City of Port [illegible] Chamber of Commerce.

[illegible] Mr. [illegible] has asked by Mayor [illegible] to convey his regrets that he is not able to be here this afternoon [illegible] you Gentlemen of the Commission [illegible] welcome on behalf of the Municipalities and City of Port Arthur and he would be glad [illegible] it in as [illegible] possibly can. Port Arthur and Port Arthur have agreed very closely [illegible] these Canada-wide matters for many [illegible].

[illegible] Port Arthur [illegible]

[illegible] Vice [illegible] Industrial Commissioner, [illegible].

THE CHAIRMAN: [illegible] the last [illegible] [illegible] of [illegible].

[illegible]: [illegible] Commission [illegible].

[illegible]: [illegible] Gentlemen, [illegible].

General Manager of the Port Arthur Shipbuilding Company.

THE CHAIRMAN: Yes?

MR. ROBINSON: Mr. Chairman and Members of the Commission I am Mayor Fred Robinson of the City of Port Arthur and I would like to take this opportunity to extend a welcome to your Commission to our City and to tell you that the citizens of Port Arthur are intensely interested in the work that has evolved upon the shoulders of this Commission. We do wish you well in the work you have encountered.

THE CHAIRMAN: Thank you very much, your worship. We have already had the opportunity of thanking several citizens for their interest and a thorough tour of the harbours both in Port Arthur and Fort William this morning and we have seen much that has interested us.

We are now ready to hear the submissions on the brief.

MR. MUNDELL: Yes.

MR. HILL: Pardon me, Mr. Chairman and Members of the Commission. My name is James Hill, representing the United Steel Workers of America, Local 5055. I wish to direct attention to -- on behalf of the employees of the Port Arthur Shipbuilding Company.

THE CHAIRMAN: Your local number, Mr. Hill?

MR. HILL: 5055.

MR. MUNDELL: Subject to your direction,

Mr. Chairman, we should start with the City of Port Arthur and the Chamber of Commerce, if that would be satisfactory.

THE CHAIRMAN: I think that would be proper. Mr. Brayshaw?

SUBMISSIONS BY THE CITY OF PORT ARTHUR AND THE CHAMBER OF COMMERCE

ALDERMAN WILLIAM BRAYSHAW, appearing

MR. BRAYSHAW: Mr. Chairman and Members of the Commission. The Port Arthur Industrial Committee strongly urge the Members of the Commission to recommend in their Report that the coasting trade of Canada be reserved to ships built and registered in Canada. Our reasons for reaching this conclusion are two-fold.

One. From a national standpoint, we believe that Canada's experience in World Wars I and II has amply demonstrated the need for a strong shipbuilding industry. An industry geared up to make in the transition from peacetime to wartime production with minimum delay. In this connection we would refer you to the Brief submitted by the Canadian Shipbuilding and Ship Repairing Association to your Commission on June 30th, 1955.

Two. From the local standpoint, the impact of any decline in the operation of Port Arthur Shipbuilding Company Limited can best be appreciated when it is realized that in normal periods the firm employs from 800 to 1,000 men

or about ten per cent of the wage earners inthe City. With employment at average levels the shipyards' payroll runs in excess of $2,000,000 annually.

The foregoing will indicate the importance of the industry to the economy of this district and we would once again urge this Commission to recommend that the industry receive the protection that it so rightfully deserves.

THE CHAIRMAN: Thank you.

MR. MUNDELL: I wonder if I might ask one or two questions just to clarify the position of this City.

THE CHAIRMAN: Yes.

MR. MUNDELL: Q. You said that the City is asking for protection of the coastal trade from foreign bottoms or non-Canadian bottoms, asking for this firstly on a national level to preserve a Canadian national asset and require a strong shipbuilding industry and secondly because of a local matter it is of extreme importance to Port Arthur?

A. That is right, yes.

MR. MUNDELL: Q. In your request are you asking, when you ask that to be restricted to Canadian bottoms, if there was some other method of maintaining the shipbuilding industry, would that be acceptable to the City or do you know?

A. I believe something like that could be worked out satisfactorily.

Q. It is not a matter of keeping the trade as far as carrying Canadian ships. It is really a matter of maintaining the shipbuilding in the City?

A. Yes, definitely.

Q. You have no other interest apart from shipbuilding?

A. Yes, I think so.

Q. Have you or any of your organizations made any study of what would be the effect of the St. Lawrence Waterway on the shipping industry and the trade in Port Arthur?

A. We have economists here in the last year and they are making a study and I believe the Province of Manitoba employed these economists and we have not had their findings yet. They are making a complete study of it.

Q. Do you know when the report is likely to be ready?

A. I would imagine they would have it ready at the end of this year.

Q. I take it that report will not likely be confidential, it will probably be available?

A. I would think it would.

Q. It might be available to the Commission?

A. Yes.

Q. What do you anticipate the scope of the report will be?

A. Well, they were working primarily for Manitoba and on the repercussions of the deep sea waterway, the effect on the West and Port Arthur and Fort William will be transshipment bases primarily. That was their scope. They certainly studied it very, very thoroughly and---

Q. I suppose it is very much the same ground as the Commission is studying it only on a larger scale?

A. Yes.

Q. I was wondering whether we could find out when it is likely that the report will be available?

A. I think our Chamber would have that information very shortly.

Q. I wonder if you would mind letting us have that?

A. May I intrude there just a moment because I happen to be the Chairman of the Joint Transportation Committee and I have had a great deal to do with the visit of these two doctors from Chicago and their reports will be almost exclusively in regard to the Fort William and Port Arthur being the gateway through Manitoba and the West. Their intention in coming down here was to find out what charges there would be in connection with foreign boats and so on so their report will not be ready for several months anyway and it will be largely,

almost entirely probably upon that basis.

MR. MUNDELL: I take it or I infer from what you said in mentioning this report that actually you have not yourself made any detailed study of the impact of the Seaway?

A. No.

Q. That is the wayyou are making that study?

A. Yes.

MR. CHARNOCK: We have, at least the Chamber have made some study of the possible results of the deep waterways from the Lakehead and that is regardless of your coastal trade but as a whole.

MR. MUNDELL: It would include that?

A. Well, as the deepening of the St. Lawrence must include that to that extent.

Q. Is this a full report which you have available as a result of your own studies?

MR. CHARNOCK: Well, it is the result of our own studies plus information from the Board of Transport Commissioners and others.

MR. MUNDELL: I would think, subject to what you have to say, Mr. Chairman, that we request filing of that.

THE CHAIRMAN: I think we would very much appreciate having an opportunity to peruse that. Can you obtain a copy of it?

MR. CHARNOCK: I will be very glad to, sir. Will you be sitting tomorrow?

THE CHAIRMAN: Yes. That will be marked as Exhibit 41. If we can obtain that and file it as Exhibit 41.

---EXHIBIT NO. 41: Document to be filed by Mr. Charnock.

MR. CHARNOCK: Let me make it clear that is not intended to have any bearing on the problem with which you are faced here?

MR. MUNDELL: No, only in so far as it is a problem that deals with a particular problem affecting the St. Lawrence Waterway and will include the effect on trade.

MR. CHARNOCK: In part.

MR. MUNDELL: It will be helpful.

MR. MUNDELL: Q. At the start you said your main statement was in connection with or on the ground of protecting the shipbuilding industry and not the shippers. What do you think the City or your organization would say if a subsidy programme were recommended? Would that be a form of assistance to the shipyards that would be acceptable or not?

MR. BRAYSHAW: With regard to shipbuilding or shipping?

Q. Construction.

A. I don't know. I would not be able to give you an answer on that. We have not thought about that. I think actually what we are more concerned with is to keep our shipbuilding plants building ships and we are more concerned with having employment here and---.

COMMISSIONER WICKWIRE: I am afraid, Mr. Mundell, I am only hearing about half of what is being said and I am quite sure that the Reporters are not getting it at all.

MR. MUNDELL: I beg your pardon.

MR. BRAYSHAW: Getting back to the first question we are more concerned in having our shipyards busy building ships and we have not considered any subsidies but one thing that is very important is that if we had for our shipyards a good staff in there, on national defence it has a tremendous bearing.

In other words, if your shipyard is practically down to a skeleton crew, it takes so much more to round out good workmen and key personnel, to get tooled up for national defence and also in peacetime when contracts are awarded.

MR. MUNDELL: Q. I believe some years ago the Canadian Maritime Commission made some suggestion as to what shipbuilding industry we should have. I think the figure was around 7,000 people. At the present time the trade has approximately 17,000 employees, and if it is a matter of national defence for the protection of the shipyards, would you have any knowledge or has the City any knowledge of how many employees in the shipbuilding industry we should maintain?

MR. BRAYSHAW: In Canada?

MR. MUNDELL: Q. For defence purposes.

MR. BRAYSHAW: No, I would not be able to

say that. I would not try to give you that.

Q. You would not say it was right or wrong, that 7,000 figure or a figure of that order?

MR. BRAYSHAW: I do know that in our own shipyards their very peak was around 1,200. As a matter of fact they have been a lot higher in shipbuilding. All of them were not employed in shipbuilding but in allied industries.

COMMISSIONER WICKWIRE: Q. That was during wartime?

MR. BRAYSHAW: No, during wartime there were more than 1,200 there. Mr. McDougall could probably give you the figures on that during wartime.

MR. McDOUGALL: About 2,100 was our peak during the war.

MR. BRAYSHAW: But in peacetime shipbuilding there has been around 1,700 employees.

MR. MUNDELL: Q. You have not any knowledge -- I do not expect you to be accurate but I want to get it on the record, you are taking the view shipyards are necessary for national defence but you say "We do not know how many we have to keep in Port Arthur". Is that correct?

MR. BRAYSHAW: Yes, that is right.

Q. I think most of the questions will have to be put this afternoon probably to Mr. McDougall because he has more information about the operation of shipyards. I was wondering whether the City would have any interest or how

it would be affected by leaving the shipbuilding out of it but by the protection of the Canadian shipper or Canadian ship owner by confining the coasting trade to Canadian bottoms. For instance, it has been said with relation to this sort of problem, if protection is accorded, in that way it may cost more to ship from the Western Provinces down to the Seaboard than it otherwise would and that in turn may cut down business generally. Have you considered what the effect may be, apart from shipbuilding, of this protection?

A. We have not discussed that in our City Council or in our Industrial Commission. That just arises -- we have never really sat down and discussed it.

Q. You do not know whether that would be beneficial or not?

A. Certainly for Canada. For our ships, I think, it would be advantageous if we are going to have Canadian shipyards.

Q. You were saying you thought it would be beneficial for Canada as a whole if the coasting trade was confined to Canadian bottoms?

A. Well, I just say that merely because we are Canadians. I guess that is possibly the only thing. Of course, there is no question about it, competition is the life of every industry. If it can be worked out satisfactorily, I am of the opinion if we can have Canadian ships plying in here that -- in other words, I will go back to,

shall we say, the steel industry. There is a certain portion of steel that comes in from America and to protect our Canadian mills ---. We have three prime producing steel mills in Canada. They are not able to produce all the needs of Canada. Some is imported from the United States. They are protected by tariff. I would possibly think something like that could be worked out. That would be for the Commission.

Q. I wonder if we can get your view or opinion on firstly as to the facts. You do not know whether it would be beneficial or detrimental to Port Arthur to confine the coasting trade of Canada to Canadian bottoms?

A. I would think it would be beneficial.

Q. This is leaving aside shipbuilding?

A. Yes.

Q. You said just a moment ago these other things are protected and therefore why not the shipyards, is that correct?

A. I would say that, yes, some sort of tariff. I suppose that would get back to your original proposal. You mentioned to me -- you said subsidy.

Q. I am not offering a subsidy. I mean that is one of the proposals that has been suggested?

A. Yes. Well, I think it would be advantageous to Port Arthur because an awful lot

of our ships are manned by Canadian boys from Port Arthur, there is an awful lot of them that sail that line and if there are foreign ships coming in here, there is no doubt about it they do employ foreign personnel.

Q. Can that not be justified on the basis of your getting cheaper transportation for the whole of the West, which might be beneficial to Port Arthur?

THE CHAIRMAN: It could not help but be beneficial to Port Arthur. You are speaking of the shipbuilding industry itself. There is also the storage of 93 million bushels of wheat in these two cities.

MR. BRAYSHAW: Yes, that is right.

Q. And the working of that trade depends on the ability to sell wheat which would prove probably difficult, I suggest?

A. We have had a surplus.

Q. And the larger the cost the harder to sell it?

A. True.

Q. So that if by restriction of the coasting trade in the Lakes to Canadian bottoms you increase the cost of grain, thereby increasing the cost of shipping and you fail to reduce the cost of the grain by the full potential of the Seaway as a whole it may react against the economy of these cities?

A. There is a possibility of that.

Q. It is the weighing of that factor that is the task of this Commission. That is what Mr. Mundell is attempting to get some assistance from you on, am I not right, Mr. Mundell?

MR. MUNDELL: Yes, thank you, Mr. Chairman.

MR. BRAYSHAW: We must bear in mind that the higher standard of living that we have established in Canada, that if you do have your foreign ships coming in here and they do not have the high standard of living of Canada, that is an argument in favour of the Canadian coasting trade.

MR. MUNDELL: Q. I am not sure I follow you on that.

A. We have set up---

Q. Are you trying to raise their standard of living or ours?

A. It can work one way or another. What I am trying to point out is we have in Canada a high standard of living. Your coasting trade would come in -- whatever ships they might be -- they must be paying, shall we say, a lower scale of wages than what our sailors are getting ----.

Q. Would not the fact that they provide cheaper transportation services have the effect of increasing our standard of living by giving us cheaper transportation services and our people could go into some other line of endeavour where we can compete?

A. Possibly.

Q. That is the argument that has been

put across to the Commission.

A. Well, it could work that way but what I had in mind was the fact that Canadian sailors manning Canadian ships with a higher standard of wages, which they are getting and if they have to compete against foreign ships coming in then your Canadian ships to compete with them will have to reduce their wages.

Q. Possibly. Can you comment on this. Supposing they went out of business because they could not compete?

A. Well, I honestly feel that it would be a shame if Canadian ships were to go out of business because of foreign trade. I honestly feel that.

Q. Would you like to comment on this argument that has been made to the Commission. It is said that we should, as an essential part of our transportation system, have a fleet of vessels on the Great Lakes adequate to meet crop movement requirements and under Canadian control as Canadian vessels. Is that the argument which you are putting forward now?

A. Yes, definitely. In other words, what you are proposing is that they should be foreign owned but be Canadian controlled.

Q. Well, take that for an example?

A. Yes.

Q. What I was really suggesting was this, that we should not allow the Canadian fleet to go out of existence because then we would

have to depend wholly on foreign vessels that could always withdraw and we would be left with our crops sitting in an elevator. That is the argument that you are putting forward now?

A. Yes, that is true.

Q. There is one other small thing and I was wondering whether you could comment on it. If Canadian ships are kept in business and are more costly in inland lake traffic, will not foreign bottoms come right to Port Arthur and take grain all the way to Europe?

A. Well, as a matter of fact they are doing that right now. There are Norwegian ships coming in here now and taking full cargoes, taking them right through to the existing seaway that is there.

Q. Would you have any information about how many have done that?

A. I would not have that information. Probably Mr. Charnock would. He has made a study. There has been quite a number of foreign ships coming in our ports and picking up.

Q. Who has made a study?

A. Mr. Charnock would probably be able to give you the number of ships. He has---.

Q. Would there be a number of these ships, Norwegian and other ships?

A. Yes. They have come into Fort William and Port Arthur.

MR. CHARNOCK: My information that I got

from the Harbour Master was that one Norwegian ship made three trips in 1954. Then there was one other foreign ship, I do not know the nationality of it. Might I -- as long as you brought me into that, might I just say there is nothing to prevent any foreign ships at the present time from Chicago coming here and there are 17 foreign lines running into Chicago now.

THE CHAIRMAN: Well, you will also understand there is no proposal at the present time before the Commission to limit or restrict in any way foreign bottoms coming right to the Head of the Lakes to ship overseas or to bring in from overseas.

The proposal as to limitation is limited to the coasting trade. Coasting trade is transport from one place in Canada to another place in Canada. There is a proposal or recommendation by the Dominion Marine to limit and restrict international trade between Canada and the United States in the Great Lakes area. That is west of Anticosti Island, to ships of Canadian or United States registry by a treaty.

That is the only proposal before the Commission having to do directly with international trade as distinct from coasting.

MR. CHARNOCK: That is extending the treaty or modifying the treaty which at the present time exists that limits that trade to Canada and the United States.

THE CHAIRMAN: There is no such limitation.

I do not know about a Dutch ship coming in and picking up a load in Toronto and taking it to Chicago. That is engaging in international trade.

MR. CHARNOCK: Is that so?

THE CHAIRMAN: I think probably that the proposal is that there should be limitation to Canadian and United States bottoms particularly on the question of ore being carried from Seven Islands to Lake Erie ports.

MR. CHARNOCK: Speaking of foreign ships entering the grain trade, I might add, having been engaged with that trade for a good many years, at an elevator, that an equal number of foreign boats, ships, I suppose you would have to call them, would not be able to handle the volume that an equal number of Canadian and United States bottoms would at the present time.

THE CHAIRMAN: That is the peculiar feature of the laker.

MR. CHARNOCK: The upper laker which will be able to go to Montreal on a 27 foot draught, when the 14 foot draught is eliminated, it will have a 25 foot limit, but that boat can load faster; she can canal faster and she is built for that particular trade and she is prohibited, of course, from participating in the ocean trade due to the nature of her construction but she can load much fater than a foreign bottom can load and so on; but, of course, there is as against that -- there is the fact that those ocean boats

can load a certain amount for foreign trade and eliminate the handling at lower lake ports.

THE CHAIRMAN: They eliminate transshipment which causes a very great decrease in efficiency of carriage through the Great Lakes area.

MR. CHARNOCK: That is right, Mr. Chairman.

MR. MUNDELL: Q. I was going to go on to another point.

COMMISSIONER WICKWIRE: Q. Just before we leave that, Mr. Mundell. Mr. Brayshaw said that a number of foreign ships do come into Port Arthur and this gentleman was giving us an illustration of that. I think he gave us two instances. Is that about it?

MR. MUNDELL: Four. Two ships, one made three trips.

COMMISSIONER WICKWIRE: Q. That was last year?

MR. CHARNOCK: Yes. There have been other ships at other times. In fact there have been cargoes of flour loaded here at Fort William and taken to the United Kingdom.

COMMISSIONER WICKWIRE: Q. Who can give us the figures for foreign ships picking up cargoes from Port Arthur say during the period of 1950 to the present time?

MR. BRAYSHAW: I imagine our shippers can do that.

MR. CHARNOCK: I must admit there is a

dearth of authentic information, sir, and the Harbour Master would probably be the best source of information. The Lake Shippers' Association have data concerning grain but they would also be able to dig it up for you, I think.

MR. MUNDELL: It will probably be at the Dominion Bureau of Statistics, too.

COMMISSIONER WICKWIRE: Q. Who can give us the figures of United Kingdom bottoms engaging in the coasting trade within Lake Superior and indeed particularly from Port Arthur out of the Lakehead here?

MR. MUNDELL: Q. Yes, out of the Lakehead.

MR. CHARNOCK: I think, sir, the Harbour Master could give you the number of vessels. I believe he can give you the cargoes and destinations. Either your Board of Transport or your Statistical Branch in Ottawa might be able to give you that.

These doctors who were here ran into considerable difficulty in trying to get information of that sort. Private firms, that is the carriers, keep up their own information themselves. I would not say it cannot be gotten but it is not readily available.

COMMISSIONER WICKWIRE: Q. Does the Chamber of Commerce know of any instance of United Kingdom bottoms engaging in the coasting trade of Canada out of the Lakehead?

MR. CHARNOCK: The Lake_head in Canada,

no sir, but of course, I can only speak for the upper lake. There are numerous foreign bottoms that make Toronto, for instance just the same as they make Chicago.

The reason for that, of course, is your business and the same reason that brought boats to Montreal from Quebec, but there may be a considerable number of foreign bottoms taking goods like agricultural implements and so on from Eastern ports but that would change that picture entirely.

COMMISSIONER WICKWIRE: Q. Well, taking agricultural products, you say, from where to where, as an illustration?

MR. CHARNOCK: Well, I would say out of the Port of Toronto or Toronto points maybe---

Q. To where?

A. Maybe Windsor to the U. K.

Q. That is not coasting shipping?

A. No, I do not know of any coasting shipping of foreign ships, coming in.

Of course, reciprocal cargoes, that is westbound cargoes, these foreign ships have not heretofore participated in as far as our ports here are concerned.

The ships that Mr. Brayshaw mentioned, came in here with cargoes for United States' ports, came here light and loaded with grain, but I know of no---

COMMISSIONER WICKWIRE: Q. Is it correct

to say that in the past any competition in the coasting trade of Canada from United Kingdom or foreign ships has been infinitesimal?

MR. CHARNOCK: As far as these ports are concerned, yes, sir.

COMMISSIONER WICKWIRE: Thank you. Now, what is it likely to be when you get the deep waterway in the St. Lawrence?

MR. CHARNOCK: If you can tell me, sir, what the development in Western Canada is going to be in population and in economic development; that makes the purchasor's power to buy and which creates cargoes, I would answer you. Otherwise, you will have---

MR. MUNDELL: Q. That is one of the things that I think we will have to look at rather closely. I was wondering if you could give us some help on the subject.

MR. CHARNOCK: I would like to, sir. I just want to stick my neck out about so far.

MR. MUNDELL: May I go on?

THE CHAIRMAN: Yes.

MR. MUNDELL: Q. There are two things that I would like to clear up. One is are you limiting your recommendation to the coasting trade of Canada not covering the international trade in the Great Lakes, that is trade between Canada and the United States, you are making no recommendation in that respect?

MR. BRAYSHAW: No, sir.

Q. Secondly, in recommending the Canadian coastal trade be confined to Canadian bottoms, do you include all Canadian coasting trade or only on the Lakes?

A. Well, no. Our recommendation would be concerning the Great Lakes.

Q. In other words you have not given any study to the problem of say Newfoundland?

A. No, none whatever.

Q. If this Commission was told in Newfoundland this would be fatal to the economy of Newfoundland, you would contemplate that there might be a different policy there?

A. What would be favourable to Newfoundland?

Q. Protection, or confining Canadian coasting trade to Canadian vessels. The Commission has been told it would be fatal to the economy of Newfoundland which would lead to a falling in the standard of living there. You have not studied that problem?

A. No.

THE CHAIRMAN: You see, at the present time there is no St. Lawrence Waterway problem as far as transportation to Newfoundland is concerned and United Kingdom vessels do engage in trade between the mainland and Newfoundland but the submissions of the Newfoundland Government and Newfoundland counsel were very strongly of the opinion that participation by United

Kingdom vessels in that trade and the potential competition created by their participation did reduce transportation costs to Newfoundland and did keep them down and if they were ruled out transportation costs would go up and the marginal industries of Newfoundland would be driven to the wall.

You see, if your recommendation were applied throughout Canada in that area, we would have to meet and deal with that argument of Newfoundland. On the other hand the Great Lakes area, taking again down to at least the Island of Orleans and Montreal and probably Anticosti, which is a different area with different problems, different rules might be applied to it.

That is one of the matters that was specifically referred to us in our Order-in-Council.

Have you answered Mr. Mundell that your only study was concerned with the Great Lakes and you have no opinion as to what might happen to the mainland of Newfoundland?

A. No. I can see Newfoundland's point which it could have and there again I may point out we have not made a study of Newfoundland and our prime concern is, shall we say, Lake Superior to the Great Lakes and also I might point out that we do have owners from the Lakehead here that own fleets of ships that will be competing against the coastal trade and whether

Newfoundland would be in the same category, whether they will build ships or not, I would not be prepared to say.

5a THE CHAIRMAN: Q. No, they do not build ships but they own small wooden ships?

A. Possibly they would look at that with a little different viewpoint. Certainly competition would enter into their shipping. That is definite.

MR. MUNDELL: Q. Have you any recommendation as to where this dividing line between say the Lake Area and the Eastern Area would be? How far would you push the Lake Area, put it that way, to Montreal or beyond?

A. I would think before entering into the Gulf of St. Lawrence would be the dividing spot and as far down as Quebec we will say.

Q. You have not really studied it. You have no special recommendation?

THE CHAIRMAN: He says the River as distinct from the Gulf. I think the Department calls it the River to about Cap de Rosier.

MR. CHARNOCK: It would have to go definitely as far as Seven Islands.

THE CHAIRMAN: We have heard that expression before.

MR. MUNDELL: Q. I have not put any questions to this witness, Mr. Chairman, on what would be the effect on the Port Arthur shipyards of no protection or what the anticipated

effect of protection might be. I think that may be put more properly to Mr. McDougall. Have you anything on that?

A. No, I would like Mr. McDougall to answer that question. We do know what might happen. It could be disastrous. There is no question about it.

Q. The proposal you have put forward, I take it, that the shipyards could not continue to operate without protection, is that correct?

A. Well, this certainly would help the industry with a little protection, to have some tariff of some sort.

Q. You would not recommend it unless you thought they would need it?

A. Definitely not and certainly we must look at the standpoint of during the wartime, how much our yard in Port Arthur has contributed to the National defence. Mr. McDougall can give you the figures, but it is tremendous what that yard contributed to national defence of this country, in the first war and also in the second war.

I would just like to bring the fact, if you get down to -- say we have 100 men, 100 key men, it is very much harder to bring back key personnel and bring your personnel up to where they can produce, to lead 1,700 men or 2,000 men, which Mr. McDougall pointed out were employed at that time and those are things

that should be taken into effect, keeping the shipyard open.

MR. MUNDELL: I think that is all I have.

COMMISSIONER WICKWIRE: Q. Mr. Brayshaw, it has been suggested to us that with the deepening of the St. Lawrence Seaway, which will enable the upper lakers to go right to Montreal, there will be further efficiencies and savings in the transportation of wheat by as much as, I think, five cents a bushel. Is that not correct? What should get that five cents in your opinion?

A. Well, I do not know just where the savings of five cents would be, sir. I certainly think it should be passed on to the consumer. I would think that definitely, but the saving would be in trans-shipping. Your upper laker would trans-ship at -- it could go down as far as say the large elevator at Levis or say Sorel. They could trans-ship at Sorel or Montreal.

Q. If it can be shipped at five cents a bushel less than it is now being shipped, who should get the five cents?

A. I would say the consumer.

Q. What about the grower?

MR. MUNDELL: Q. I was wondering if you meant the user of the ship facilities?

A. No, the user of the wheat, I would say.

Q. You mean the foreign buyer and not the Canadian producer?

THE CHAIRMAN: I do not think you need to worry about that. They are pretty hard-headed buyers. We have a job now trying to persuade them to take our wheat.

MR. BRAYSHAW: We have to compete. There is no question about it, with foreign cargoes such as the Argentine.

THE CHAIRMAN: The five cents less that we can afford to take might make the difference between a sale and no sale of wheat?

MR. BRAYSHAW: I would think so, yes.

Q. Then what about the condition of the Lakehead as to trans-shipment points if you cannot sell wheat. Nobody is going to order ships to sail in a protected lake if they cannot use them as carriers.

COMMISSIONER WICKWIRE: That people will buy.

THE CHAIRMAN: You have not considered that aspect?

A. No, we have not, we have not, sir, considered it, no.

MR. CHARNOCK: I think you will have an awful lot of different opinions or points of view from people in the West.

THE CHAIRMAN: We know what their opinion is going to be. We are trying to get the reaction of somebody right here in the trans-shipment point to that.

MR. CHARNOCK: Is it not more or less a maxiom in transportation rates thatthe rates are

more generally built on what the traffic is rather than what the traffic costs and therefore it might result in a bigger dividend for the carriers. I mean it is not a foregone conclusion that that saving will be distributed anywhere, is it?

COMMISSIONER WICKWIRE: Well, Mr. Charnock, one of the things that has been suggested to us is that if we allow Commonwealth ships to take part in the coasting trade after the deepening, the mere fact that they are allowed to come into the Great Lakes would have a direct bearing on the competition factor. In other words, if Canadian ship owners, having protection, were inclined to charge all that the traffic would bear, knowing that no one else can come in, that is one side of it. Well, the mere fact that it is open to Commonwealth ships to come in, whether they do or not, would have a bearing on keeping the rates down to a competitive level.

MR. CHARNOCK: That is true. But, of course, like any other transportation argument you want to bring up, there is also an "if" and a "but" too, and with the deepening to 27 feet rather than the elimination of the 14-foot existing at the present time, you have down channels of 25 feet. Well, that deepening to 27 feet will mean that the upper lakers can go to Montreal and they cannot take their ocean ships, which are operating on a 35-foot basis, which will be too large to come up here even with the 27-foot

basis.

Conceivably you might have a true rate that would have to be considered along with your other rate when you are comparing the total cost of delivering your goods to the destination. Is that clear?

COMMISSIONER WICKWIRE: Well, that may have to be considered at that time but we want to get your reaction to the suggestion that has been put to us. That is, if you allow Commonwealth vessels to go through the deep channel and to operate in the coasting trade, that will have the effect, whether they come in or not, that will have a direct effect on keeping the rates at a competitive level. I would like to have your reaction to that suggestion, Mr. Charnock, which has been made.

MR. CHARNOCK: It could very well. If foreign ships were allowed unlimited coasting trade of course, a boat can work between here and Montreal, we will say, with a cargo of grain and then take a more profitable load of manufactured goods from Montreal, but that is, I would say, in the realm of possibility. I do not know just how likely it would be.

MR. BRAYSHAW: May I add to that? I do not know whether the Commission seems to be of the opinion that there is no competition on the Lakes with the various companies now. There are large companies that are competing against one

another at all times. It is not restricted to Canadian.

COMMISSIONER WICKWIRE: May I correct an impression? The Commission has no opinion on the subject at all. We are trying to find out what has gone on and what is likely to go on.

MR. BRAYSHAW: There is competition definitely on the lakes between your companies.

THE CHAIRMAN: I am interested in that statement because there have been two different adjectives used on other occasions. One was fiercely competitive and the other was highly competitive. You are of the opinion that those are proper statements, that there is competition between the various Canadian carriers?

MR. BRAYSHAW: Oh yes, definitely. I would not say it is highly competitive, but certainly there is competition. There are numerous large shipping companies that are competing for cargoes. There is no question about that. It is certainly not because they are flying Canadian flags.

THE CHAIRMAN: Q. How numerous are they?

A. There are three big ones. Canada Steamships, Paterson and Colonial. There is the Scott Misener.

Q. That is Colonial?

A. There is the upper lakes St. Lawrence, the Norris grain.

Q. That is the upper lakes?

A. Yes.

Q. Is that a Canadian line?

A. Definitely. There are several.

Q. I agree with you, four people that are really competing?

A. Possibly there is more.

MR. McDOUGALL: On that one I can assure you there is competition. No question about that.

COMMISSIONER WICKWIRE: Q. You are emphasizing, Mr. Brayshaw, that a lot of Port Arthur boys are presently manning ships in the Great Lakes?

A. Yes.

Q. Their standard of living is very much higher than the seamen on the U. K. bottoms, for instance?

A. Well---

Q. That, I think, is an established fact?

A. Yes.

Q. Do you think one of the reasons that there are not more United Kingdom bottoms taking part in the Great Lakes is that they have difficulty getting their own seamen to operate the ships of United Kingdom registry with comparatively low rates of wages alongside of our own Canadians whom they see getting paid twice or three times as much?

A. I would think probably there has been. We have read of accounts, probably you did,

of ports such as Montreal. You often hear of a fracas between the two. Whenever a Greek ship or English ship or Scotch ship, they will have a fracas amongst themselves and has been on the basis of the higher wages that our own Canadian boys are getting.

Q. Has your Committee given any study to this factor, that after the deepening of the St. Lawrence, even if they permit United Kingdom bottoms to take part in the coasting trade, that probably not too many United Kingdom ships would be on the Great Lakes because of the wage differentials; they just could not keep their crews?

A. I understand what you mean, yes sir. Possibly that could happen, yes.

THE CHAIRMAN: Thank you very much.

MR. MUNDELL: I think the next will be the shipbuilding company.

THE CHAIRMAN: Well now, before we do. Mr. Charnock is in a similar position to Mr. Brayshaw. Is there anything you wish to add, Mr. Charnock?

MR. CHARNOCK: There is just one point I would like to ask. I do not doubt at all but what the answer is abundantly clear. But Mr. Brayshaw spoke about ships built and registered in Canada. I understand the principle and all that but that was also in the submission that Collingwood was reported as having made.

Is there some limitation of date, to which

you refer, in the matter of ships built in Canada. I am not talking of the future but of the past. For instance, like the two Canadian Pacific Railway steamers. They were both built in Scotland. I doubt if that is the intention of the application that that should be but I have seen no limitation as to how far back it should apply.

I do not think for a moment that any of the shipyards or anybody else would have an idea of cutting those steamers off the list.

THE CHAIRMAN: That matter has been referred to on several occasions and the suggestion made by other witnesses was that the position should be that if they are at the date of the proposed legislation, registered in Canada, then they should be accepted within the class permitted for trade but that after a certain deadline date, which may be the same date or one shortly thereafter, no foreign built-- that is no non-Canadian built ship be permitted to engage in the coasting trade.

I think that the witnesses were referring to, in a particular case, to similar ones which were being operated by the railroads at the present time.

MR. CHARNOCK: You can see why I just raised that point.

THE CHAIRMAN: Yes, it is a very relevant point.

All right, Mr. McDougall.

SUBMISSION OF THE PORT ARTHUR SHIPBUILDING COMPANY

---Mr. G. F. McDougall, General Manager.

MR. McDOUGALL: Mr. Chairman and Members of the Commission. I would like to just say a few words particularly in connection with our plant and some of our problems and with regard to the situation there as far as employment is concerned.

I have been in this plant for 37 years. The plant was built in 1910 and 1911. I was born in Port Arthur and I have seen the Company go through some pretty tough times and through some reasonably good times but I feel that as manager of the Company that I have, first of all, a duty to the employees that have given us such excellent service. Particularly I might mention the fact from, we will say, about the start of the last war and from then on.

Our yard has an excellent record, not only in the class of work we do but also as far as costs are concerned. Men have spent from 12 to 14 years in that yard and know their business thoroughly.

These men have given, you might say, some of the best years of their lives to the trade. It is not easy for men like them to turn around and obtain other employment. We feel, of course, that we have done everything we can to assist these men but when it comes down to the point, as you realize, where you have not got the work,

the men have to be laid off.

I might give you a few figures. Here I would like to go back to during the First World War to give you some idea. We built at that time 17 ocean freighters. They were, of course, the small type freighters. They had to be under 260 feet to get through to the ocean. We built one tug and 14 trawlers. All these ships that I mention were for the war effort.

After the first World War there being very little new ship construction on the Great Lakes -- in fact, the only ship of any size built was the Mathewston belonging to the Colonial Steamship. This ship is an upper lake bulk carrier, 7,400 tons overall length of 564 feet.

Due to the fact that there was so little shipbuilding the Company decided to branch out into certain lines of industrial work particularly to keep the plant in operation, and employ some of the men we had at that time.

During the Second World War we had as high as 2,140 employees. Our yearly employment averaged about 1,366 employees with payrolls running approximately $2,500,000 per year. During this time our war effort was particularly on Naval craft. We built 9 corvettes, 6 Bangor minesweepers, 20 Algerine escort and mine-sweeping vessels, 3 China Coasters and boilers and engines for Naval vessels. This work was all done for the Royal and Royal Canadian Navies.

We were the only yard -- I would not say the only yard -- there were two yards in Canada Algerine escort vessels. They were a particularly important part of the war effort at that time. Some of those vessels are, of course, still a unit of the regular Navy in Canada. As a matter of fact the last six were built for the Royal Navy.

We also at that time did considerable aircraft work, wooden components for the Hawker Hurricane plant. As you know, the Hawker Hurricane plant had a good deal of wood used on them and we were able to work into that picture.

Following the Second World War our yearly employment has been running approximately about 730 with payrolls averaging a little over $2,000,000 per year. Industrial work for this period accounted for about 30% of the payrolls mentioned above, with the balance made up of new ship construction, ship conversions and ship repairs. Now, since the Second World War we were fortunate in being able to secure orders for the following vessels.

6 Hopper barges for the French Government. The reason we were able to get this contract was the fact that the British yards were busy at the time and the French yards were out of commission on account of war bombing and everything, and we were able to get that contract.

We also built one Upper Lakes tanker. As you probably know, there are no more tankers being built. In fact, any tankers that were

built, there were four or five built at that time -- have all been converted into bulk carriers because of the pipe line running right down to Sarnia, so tankers are out of the picture.

We built large Upper Lakes Bulk Carriers. A portion of the cost was taken care of with escrow funds. As you probably know, there are no more escrow funds for Lake shipping. That ended in November, 1953. There is a certain amount of escrow money has been available since then, but that, according to Government regulations, can only be used for ocean-going dry cargo ships.

We have also built -- we have built two coastal minesweepers for the Royal Canadian Navy. We are now starting on the third one.

The prospects for the future at our yard, you appreciate, are not probably very bright. We have tried to keep up our employment as best we can through our industrial work, but the volume is very limited because we are dependent upon the area surrounding Port Arthur and Fort William. There is no commercial shipbuilding contemplated and with only this one wooden minesweeper that we have for Naval Service under contract, our average employment this year will be down to roughly 325, with a payroll for the year of approximately $1,000,000.

There are indications that the shipbuilding requirements of the Royal Canadian Navy for the present, at least, are nearing an end. Technical skill and knowledge gained during the Naval

program will soon be lost unless work is found to keep these men occupied at their trades.

To keep the plant in good operating condition and have trained personnel available in case of a national emergency, we must have a reasonable amount of shipbuilding. Shipbuilding, particularly naval work, is a much more complicated trade than it was years ago and it takes a much longer period of time to train men for this work. Skilled shipbuilders cannot be found quickly in times of emergency. They have to be trained and this takes considerable time. Shipbuilding was at a very low ebb at the start of the last war and much valuable time was lost in our war effort because of the delay in training personnel.

The Port Arthur yard is an important factor in assisting in the operation of Lake shipping, being the only large shipbuilding plant on the Upper Lakes and having the only dry dock. Our dry dock is 723 feet long and 98 feet wide. It is the only large dry dock on the Canadian and American sides of the Upper Great Lakes capable of taking care of the large ships now operating.

I am sure that you will realize that there has to be a large dry dock maintained and efficiently manned with skilled repair crews on the Upper Great Lakes, to take care of not only the Canadian Upper Lakers such as the "Scot Misener", the "Sir James Dunn", the "John O. McKellar", the "Patterson", the "E. B. Barber", and the "James Norris", and ships of that size, and also to take care of

emergency repairs on U.K. or foreign ships.

We have a dry dock at Port Arthur and, with sufficient work, can provide the necessary service. To meet this requirement, we should have available at all times a fairly good-sized trained staff to take care of repairs, so that there will be no undue delay to vessels requiring these services.

The Commission had the opportunity of seeing the yard this morning and witnessing or having a chance to see a repair job being taken care of on one of the Patterson ships. I should like to mention the fact that gives a very good illustration of the problem that we have. When that ship came in we did not have sufficient men in the yard of the trades that were required for that job to take care of it. We have to go out and try to pick up some of our old hands to assist in that work because we were not able to carry big enough crews because that class of work is spasmodic.

Men on aircraft work cannot be readily adapted to shipbuilding or ship repairing. In our industries we have foundries and we have molders, core makers, and we have pattern makers, and in the machine shop we have men running large machines. None of these men, in any case, are the class of men that are useful on ship repairs or could work in the ship construction program.

It requires a different class of mechanic. Industrial work, of course, is very spotty. It is a little easier to pick up men for this type of

work, but their training or knowledge is not suitable in shipbuilding. These men could not be considered as forming part of a nucleus to meet shipbuilding requirements.

During peacetime we have to depend greatly on orders for Lake vessels, and Canadian operators are very much concerned at the present time as to what they will have to face when the St. Lawrence deep-waterway becomes a reality. Once the deep-waterway is completed, we are going to be faced with ever-increasing competition from U.K. yards in building ships for the coastal trade, particularly the Great Lakes. The U.K. yards are already showing keen interest in this trade.

However, it is possible that the United Kingdom may not be able to maintain her shipbuilding advantage over non-Commonwealth countries. At present cost levels, it is possible that vessels built in German and Japanese yards may be imported into Canada more cheaply than British-built vessels, even after allowing for duty. Such foreign-built ships may be registered in Canada and licenses to engage in the coasting trade, upon payment of 25% ad valorum duty.

With the opening of the Seaway the impact of British-built and foreign-built ships on the Canadian coastal trade and the international trade on inland waters of the St. Lawrence and Great Lakes could have the effect of putting the Canadian coastal and Lake fleets out of business.

In recent years experience has shown that a Transport Controller is necessary for the orderly movement of grain and iron ore on the Great Lakes.

If Canadian-owned coastal and inland shipping is driven out of business by unfair competition from foreign vessels, employing personnel at lower wages and obtaining equipment and having repairs carried out in foreign countries without benefit to Canadians, a vital link in the Canadian transportation system will be destroyed.

Canada would find herself in the position of having no control over the movement of British or foreign flag vessels operating on the St. Lawrence and Great Lakes.

In times of emergency Canada could not rely on U.K. vessels to carry essential commodities needed by industries located in the Great Lakes and St. Lawrence areas; they would be withdrawn at such time to serve the purposes of their owners in other parts of the world.

If no protection is given to Canadian-built and Canadian-registered ships in the coastal trade, Canada will find herself without ships under her control, without a nucleus of trained Canadian seamen capable of manning vessels in time of war and emergency, and without shipyards and without trained shipyard workers. She would then be dependent upon others for ships and shipping services in her own inland waterways.

Our Great Lakes shipyards cannot long

exist or keep sufficient trained men available for an emergency on the volume of ships repaired and naval work which has been offering since the end of the last war. We have one definite illustration; the Midland yards have had to be closed on account of lack of work.

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As far as the Great Lakes shipyards are concerned, once the Seaway is completed if the coastal trade in the future is not restricted to Canadian-built ships, our shipyards are likely to have less repair work because of the competition from British and foreign vessels engaging in the Great Lakes trade. These vessels will have the work done in their own countries where costs are much cheaper. Our yards will only get emergency repairs on these vessels.

Another problem that faces our yard locally is that during the winter season we have practically no repair work here. The reason for that is that at the close of navigation the vessels try to get up to the head of the Lakes and try to get a load of grain, and they take it down to the lower ports, and sometime during the winter that grain is unloaded and then goes to the elevators.

These vessels then are in a position to be ready at the opening of navigation for the spring rush. But, unfortunately, that does not help us. Hence, there is a necessity for new construction to provide winter work for employees.

It appears quite evident to us that to save

Canada's shipbuilding industry it is going to be necessary to restrict the coastal trade to Canadian-built ships and follow the example of our neighbouring country, the United States, which has reserved its coastal trade since 1817 to American-built and registered ships.

The devaluation of currency and the wide difference in labour rates between Canadian and foreign shipbuilding leaves the Canadian industry unable to complete.

I have endeavoured to bring to your attention the problems which Port Arthur Shipbuilding Company Limited is facing and trying to stay in business as a shipbuilding and ship repairing plant. But, we believe our problems are of concern to people far beyond the Port Arthur area because they have a bearing on the nation's security.

For shipbuilding facilities and skilled personnel are part and parcel of our country's requirements. If the volume of work in a shipyard persistently shrinks till engineers and craftsmen practising these skills are laid off and scatter to find other employment, the shipyard virtually dies, and we thus lose an instrument of defence.

We believe it is of national concern for the shipyard on the Great Lakes to be maintained to serve, if need be, in time of an emergency, and in peacetime to play their roles in building and repairing ships for use on Canada's great inland waterway.

Mr. Chairman and members of the Commission, I want to thank you very much for being allowed to make this submission.

THE CHAIRMAN: Q. Mr. McDougall, there is one point you mentioned in your recommendations, or it was mentioned in your brief. It would seem to be your viewpoint that any foreign-built vessel can get into Canadian registry by the mere payment of a 25% duty. I suggest that that is not the whole of it. The Minister of Transport must consent before any foreign vessel is granted the right now.

MR. McDOUGALL: That is correct, Mr. Chairman.

THE CHAIRMAN: Section 22 has in fact been very rarely exercized, only when they cannot get a Canadian ship for a particular run.

MR. McDOUGALL: That is right. The trouble is, it is there, sir. Sometimes we find that these regulations are there and they may be used.

COMMISSIONER WICKWIRE: Q. There is a fear it may be used.

MR. McDOUGALL: That is right, sir.

THE CHAIRMAN: There is another matter on your defence submission which, of course, we have had brought out on a number of occasions; but did you read Mr. Drury's speech at Queen's Park the other day?

MR. McDOUGALL: No, I did not.

THE CHAIRMAN: Mr. Drury is the former Deputy Minister of National Defence. He said that the next war will last two weeks, so that it may

be unnecessary to have a nucleus if it is going to be over in two weeks.

MR. McDOUGALL: Well, Mr. Chairman, Mr. Drury no doubt probably knows more about that than I do. But I would still say we have to do everything we can with the tremendous amount of money we are spending today. Speaking, myself, on defence, if what was done in the last two wars have not been done, it is pretty hard to say what would have happened.

THE CHAIRMAN: Q. Yes, but the atom bomb has been developed since.

MR. McDOUGALL: That is right. It is possible that they might make an agreement that they would not fight with atom bombs, and in that case you would have to have naval protection.

COMMISSIONER WICKWIRE: There is a further fact, Mr. Chairman, that even if your war were to end in two weeks, and we hope it would not be on our soil, you will still need ships to take the P.B.I. to look after the country that you have conquered and supply them.

MR. CHARNOCK: According to one statement Mr. McDougall made, I wonder if you would like to comment on an article that was in the paper the other night where it was stated that the French yards were already taking business from the British yards.

THE CHAIRMAN: I have seen that report, but the French yards cannot get their ships into

Canada unless the Minister exercizes his right under Section 673 of the Canada Shipping Act.

It might be appropriate, before you start to ask questions, to have a ten-minute recess.

---A short recess.

---On resuming at 3:55 p.m.

MR. GERIN-LAJOIE: I have a few questions I would like to put to Mr. McDougall in clarification or explanation of his brief.

Q. First of all, Mr. McDougall, you explain at the outset in your brief that the Port Arthur Shipbuilding Company Limited is a subsidiary of the Canadian Shipbuilding and Engineering Limited. Can you tell the Commission where the head office is of the Canadian Shipbuilding and Engineering Limited?

A. It is at Collingwood.

Q. Can you tell if there are any other shipbuilding companies related with your company or the Canadian Shipbuilding and Engineering Limitee?

A. Yes, there are four yards, four companies that belong. There is the Kingston Shipyards, the Midland Shipyards, the Collingwood Shipbuilding and the Port Arthur Shipbuilding. We are all members of the Canadian Engineering Shipping and then in turn we belong to the Canada Steamship Lines.

Q. Would you care for the purpose of the record to mention the exact names of the companies? In Kingston is it the Canadian Shipbuilding and Engineering Limited itself?

A. In Kingston? No, Kingston operates under the Kingston Shipyards Limited now.

Q. Can you mention about Midland?

A. The Midland Shipyards Limited. Collingwood is the Collingwood Shipyards Limited and the main one, Port Arthur Shipbuilding Company.

Q. Referring this morning in Port Arthur, if I may refer to page 2 of your brief that the industrial work of your Company for the period after the Second World War has accounted for about 30 per cent of the payrolls mentioned in your brief. That is, over two million dollars a year and the balance made up by new ship construction, ship conversions and ship repairs. Is this 30 per cent an average for the whole period since 1945 to 1955?

A. That is correct, a year.

Q. Or has it been quite a steady average from year to year?

A. No, that was the average for that period of time.

Q. Can you indicate what the tendency has been during that period? Has this 30 per cent, covering your industrial work, been increasing or decreasing from 1945 to 1955?

A. I could not off-hand give you any figures but I can get those for you, if you like. But, I would say it is fluctuating quite a little bit. We find our industrial work does fluctuate quite a lot from year to year. It has not been a steady growth or anything like that, unfortunately.

THE CHAIRMAN: Q. Now, in the years immediately following the war, Mr. McDougall, did the Great Lakes' yards experience the same

great demand for shipbuilding that the Atlantic and St. Lawrence areas had?

A. Well, as a matter of fact, sir, shortly after the war -- of course, we were a little pessimistic about things. It did not look too good. We had a very decided drop in our work. In fact, we had a big layoff and then, out of the blue, you might say, came one of the first jobs. This was after the war wound up; came this order for this tanker which is something we had not really expected. We just got nicely going on the tanker then we got an order for four upper lake bulk carriers. There was a bit of a shortage on the Lakes for upper lake vessels. Two of them were for Canada Steamship Lines. One was for the Algoma Steamship Lines which is a branch of the Algoma Central Steamship Lines and the other one was for Paterson Steamships, but there was not a great deal of advance notice or anything like that. In other words, we came to a point where it looked as though we were going in for some rather tough times.

THE CHAIRMAN: Q. The ocean yards were concerned with replacing sunk tonnage?

A. That is right.

Q. Very little of the sunk tonnage was Great Lakes' tonnage?

A. No, there were a few small canal yard ships that were lost. As a matter of fact some of those replaced in the Old Country. They

were as a matter of fact ships that were built in the Old Country and they were replaced there.

MR. GERIN-LAJOIE: Q. Mr. McDougall, I wonder if you could, as you mentioned, supply the Commission with figures at least in percentages showing the tendency or the fluctuation, as you mentioned, from 1945 to 1955?

A. Very glad to.

THE CHAIRMAN: Q. The annual per_centage.

A. I will give you the percentages. We can give you payrolls and give you the percentage here on industrial work.

MR. GERIN-LAJOIE: Q. You will do that for payrolls. Could you also do it for the number of employees?

A. On that class of work?

Q. Yes; the number of those employed in your industrial work and the number of employees in your construction, conversion or repair shops.

A. We can give it to you on a payroll basis. We can get the average. It will be a reasonably close figure for you.

Q. It will include figures as they stand at present?

A. That is right.

Q. As well as the annual figures?

THE CHAIRMAN: Q. Right now in your estimation is it more than 30 per cent or less?

A. No, I would say on our employment today it is a little more than that but our

employment is away down, of course but there is a little larger percentage on industrial work. I would say -- I do not think we have as many on industrial work today as we did in the same period as Mr. Lajoie speaks of there.

MR. GERIN-LAJOIE: Q. Would it also be possible to supply the Commission with a similiar set of figures showing your receipts, your gross receipts of your Company?

A. What receipts?

Q. Your receipts.

A. Gross receipts; you mean like the gross value of work would be better or something like that?

Q. Yes, the gross value of work?

A. --would be better would it not? Sometimes we do not get all we expect to receive. Maybe the gross value of the work would be better.

Q. Would it be possible also to divide the figures outside your industrial work between construction, and conversions and repairs?

A. Yes, we can do that. We will give it to you with construction and repairs. That would be---

Q. That would be all right.

Mr. McDougall, can you tell the Commission to what extent the situation in your yards is different now from what it was between the two wars?

A. Between the two wars. Well, I would say that---

Q. Did you have much more work to do?

A. I would say probably I think possibly if we went back we would find our repair work might be down a little but I would say that our industrial work possibly might be up a bit. It is hard to say without, you know, looking over the figures, but things were pretty grim prior to the last war for a period there.

COMMISSIONER WICKWIRE: Q. Did you have any industrial work then?

A. Yes, we did have some industrial work then.

MR. GERIN-LAJOIE: Q. I understand from your brief, you started doing industrial work right after the First World War?

A. That is right, right after the First World War.

Q. Without mentioning precise figures can you tell the Commission whether between the two wars you had relatively more work to do then than you have now?

A. Oh, let us say, that is between -- we had better get dates here, had we not?

Q. I wondered if you had any like periods between the two wars, as you have now, in order to determine, if possible, what is the real cause of the present situation?

A. The present situation, the real cause of it?

Q. The real cause for the present

situation?

A. Well, you mean the fact that where our present situation -- the present situation is, of course, we have not got any new construction. We have very little ship repairs.

Q. How is it you do not have any? I am wondering if you had steady work or a steady flow of repairing or construction from 1920 to 1940 or if you had low periods like this one?

A. We certainly did between 1920 and 1940. As I mentioned in my remarks we only built one large upper lake vessel. That was the Mathewston. That is the only large ship we built during that whole period.

bJC

Q. So on the whole do you consider it was a low period?

A. Well, it was a low period. We had a certain amount of repair work during those periods, but that of course was spasmodic, but we had a fair amount of repair work during that time.

Q. It was spasmodic?

A. Very spasmodic.

Q. As it is now?

A. Yes. That is our big problem. You see, that is what I was trying to bring out in my brief. This job that you saw in dry dock today -- just to give you some idea of that -- would run in the neighbourhood of $32,000 for those repairs including dockage. That is the largest repair job we have had in years since the opening of

navigation. That is the fourth vessel we have had repairs of that nature, you know, where they have got damage in the shell plate. We have had some vessels for what we call four-year inspection, where they draw the tail shaft, examine the rudder, check the hull for probably loose rivets. These are not very big jobs. They are small jobs in comparison to this one. There was no plating. The vessel did not have any damage to the shell plate to take care of. On our dry dock at this time this year we have gone stretches of -- one stretch of a little over three weeks with nothing in the dry dock. Sometimes we have five or six tugs in this year -- for instance, the dry docks do not---

THE CHAIRMAN: Q. Why is that?

A. Because there is not -- these boats are not getting into enough trouble to suit us.

Q. That is what I was thinking.

A. These aids to navigation, they are ruining it for the shipyards.

Q. The two reasons are you are building better and better ships and secondly they have more aids to navigation?

A. That is right. These aids to navigation have made a tremendous difference, no question about it.

MR. GERIN-LAJOIE: Q. This question comes to my mind. If there was no competition from the British ships in the shipping trade within the

Great Lakes and the St. Lawrence River how would the restriction of the coasting trade to Canadian-built ships help your shipyards and the other shipyards?

A. You say if there was no restriction?

Q. No, if there was restriction.

A. In other words you say if British vessels would not be allowed to coast?

Q. That is right.

A. That is what we want.

Q. How would it help you?

A. Well, it would help us in this way that the Canadian operators would have a better idea where they are heading, know where they are going. I think the chances are that we would possibly get orders for vessels. For instance, replacement of some of the old ships because they can plan ahead and know for instance, even some of our large companies on the Lakes have built quite a few vessels in the last few years. I think that is what would happen today. If you are a ship operator with the deep seaway coming into being you would be wondering what would happen. You would wonder do I want to build another ship today. What is going to happen? The first thing I know I am going to have my ships laid up.

THE CHAIRMAN: I would have preferred, Mr. Lajoie, if you had dealt with the first question you were on. What would the effect be of restriction on the amount of repair work and

then turn to the new construction after that.

A. You mean for instance if British ships were not allowed to go up into the Lakes what the effect would be on our repair work? Another fact probably is that we hope that Canadianswould build more ships. The more ships they build the more work we get.

THE CHAIRMAN: Q. It is inevitable with the opening of the St. Lawrence Canals there will be more shipping?

A. That is right.

Q. Therefore there must be more repairs?

A. Yes. Another thing we find too is that vessels in doing canaling sometimes it does a little damage here and there and eventually you get a little more, the more canaling you do the more work we get. The thing that worries us is that the British ships are allowed to coast. These ships will not do any repairs on the Great Lakes, if they can get away from it. It is only natural they will all go back to their own countries and have their repairs done there cheaper. We know from the few ships that have been up and down the lakes the only thing we get is emergency repairs. When it comes to their four-year inspection or anything of that nature back they go. That is only right. We cannot blame them.

THE CHAIRMAN: Q. If British ships were allowed in, might it not be better for the

repair end of your business because the British ships would not be capable of navigating as I watched one being navigated up: "Joe, off the lefthand oil tank", and then "Joe, halfway around the red buoy". They would have to have more formal kind of navigation on that vessel. They would therefore have to have more repair work?

A. Well, they have pilots, of course. Wherever they travel they have pilots and they probably would not get into too much trouble, but the other thing that worries us, supposing British ships come up and back and within the next few years after the Seaway opens and they have an awful lot of these ships, that would put our ships out of business. We would lose this business that we have got in our Canadian ships.

THE CHAIRMAN: Well, there are some elements to that that I think Mr. Gerin-Lajoie will be discussing with you. I was wondering personally about the repair end of your business.

A. Well, one of the big problems in the repair end of the business is the fact that it is very hard, for instance, to get ---. In other words, we have to keep a fair sized repair crew, it is costly during most of the season and there are no repairs as we have gone this year three or four weeks and sometimes longer without a job of any size. You have not got any things you can turn these men to. You cannot carry a big enough crew and you have a big job and here you

have not got enough men.

Q. Just before they come in.

A. Yes. Another thing you cannot expect the shipyard employees we lay off to just sit around and wait and figure well, one of these days we will be called back to the shipyard for a repair job which will only last ten days or so, and these are skilled men, a specialized class of men on these repair jobs, removing plate or riveting, welding plates. It is a specialized trade. It is a trade that takes years for a man to get proficiency in.

MR. GERIN-LAJOIE: Q. Mr. McDougall, the question I have particularly in mind was do you propose to restrict the coastal trade in Canada to Canadian-built ships just to keep the work that you have now or would you expect such a restriction to give you more work than what you have to do now?

A. Well, first of all, we would certainly hope if the trade was restricted that we would get more work after that.

COMMISSIONER WICKWIRE: Q. That is in shipbuilding?

A. Yes.

Q. Not in repair work?

A. Well, the more Canadian ships you are building the more repair work we get so we get it both ways.

MR. GERIN-LAJOIE: Q. -- why do you say you expect to have more ships to build?

A. Because I think that the population

of Canada is increasing West and more ore being carried -- for instance look at the last few years. Look at what has happened right here in our own territory. There is roughly two million tons of ore going out of here this year. There is more ore being carried in Canadian boats. More ore being taken into Hamilton in these vessels. As our population expands and increases we are going to need more ships.

Q. Do you think that the Seaway itself will call for a great number of ships in the shipping trade from the Great Lakes down to the St. Lawrence?

A. Well, down to the St. Lawrence. Well, certainly we have got large iron ore and we have got that trade from the Seven Islands up. I would think it would call for more ships.

THE CHAIRMAN: Q. Well, in addition those ships grow old?

A. That is right.

Q. So there is quite a possibility for replacement in Canadian shipping?

A. Yes. Well, obviously because -- some of these fleets are made up of a large number of -- in fact, some of the Upper Lakes boats, I would say a big percentage of the boats are old, real old -- . American boats that were brought over here back years ago and some boats are fifty years -- well, for instance, the ship in the dry dock today is 53 years old. We had one in not long ago that

was 58 years old. In time they were going to be replaced.

The new ships today of the type we have been building, operate so much more efficiently than those old ships, perform this work. There is no doubt about it but once the operator knows where he stands there is going to be more building.

MR. GERIN-LAJOIE: Q. Are you in a position to tell the Commission whether the ships of the Great Lakes Fleet at present are repaired mostly within the Great Lakes shipyards or whether a number of them are repaired in the St. Lawrence River shipyards, Montreal and Quebec?

A. Well, as we stated, of course, here -- when we talk about Upper Lake bulk carriers, those vessels go down as far as Prescott and Kingston. Those repairs are definitely all done on the Lakes. There is no doubt that some of the smaller ships, the canallers, some of that work is done in Montreal and I don't think there is very much done in Sorel. I would not want to say. We still get a lot of that work and a lot of it is done at Kingston.

Q. Are you in a position to tell the Commission regarding the repairing of canallers whether you feel there is keen competition with Montreal and the other shipyards?

A. Oh yes, definitely.

Q. And the Great Lakes shipyards?

A. Yes, the Great Lakes shipyards.

Q. Do you feel there is any difference

in the cost of repairs either here or in the Montreal shipyards, to your knowledge?

A. To my knowledge I don't know what their costs are. I couldn't say. I know our costs are reasonably good but we are at -- there are some disadvantages of course, as far as our yard is concerned such as the cost of getting plating and the materials we use, the freight, that is probably one of the main reasons. Sometimes plates and shapes and heavy tonnage are quite an item of repair jobs which puts our cost up.

THE CHAIRMAN: Q. Can you not get those plates here?

A. No, that plate has to come from Hamilton and from either the Steel Company in Hamilton or Dosco and we have also a supply in the United States once in a while. The Sault only supplies shapes, not plates. That is channels, angles and that sort of stuff, not plate.

MR. GERIN-LAJOIE: Q. Do you know of any proposed contract that you would have lost to the Montreal yard or other shipyards in the St. Lawrence River on account of the cost?

A. No, I don't believe there is any. Another thing that happened is that particularly with some of these smaller ships taking back cargoes of grain down in the fall, they will go right through to Kingston or Montreal then with that cargo which is unloaded, they will have the winter season to have their docking done or in other

words, your off-season; they can dock the vessels down at Montreal during the winter and they can dock them at Kingston and we cannot do that here because once we get frozen in at the end of December or early January we are frozen in for the winter. You have something in the dry dock in winter and it is in there to stay until the Spring breakup comes and the ice-breaker comes down and breaks it out. During the war we had occasion to move vessels around by cutting the ice and shifting them back again but that was an emergency, we don't do that ordinarily. It was a terrifically expensive operation. We launched ships during the winter but it is not a sensible thing to do in our ordinary practice but it was done because of an emergency.

Q. Is it possible, this is not a suggestion, but is it possible to your knowledge that there might be too great a number of shipping yards at present in the Great Lakes?

A. Well right today I would say "Yes".

THE CHAIRMAN: Q. Twelve men in the Midland Yard?

A. Something like that, twelve or fourteen.

MR. GERIN-LAJOIE: Q. Regarding the division of work between your industrial work section and the ship repairing and ship building section of your Company, would you explain to the

Commission why the employees are not easily interchangeable from your industrial work to the shipbuilding work?

A. I would be glad to do that. As I mentioned in my brief, I think it is easy enough to understand if you are visiting there and see the class of work that is done. For instance, to go into detail a little bit and to start at your foundry, for instance, well, that class of man is your foundry crew, the man who makes your molds, your core maker, there is nothing you can put these men to, this particular class of men. It takes a man to become a molder five years, for instance, and possibly he is not a good molder after five years. It takes far longer than that.

You have your men in the machine shop. You cannot take them out and put them on repair work or construction work on a ship. They are not trained for it. In some of the plants you have the joiners' shop, for instance. You cannot take him out and tell him to lift up that plate. He would not know any more about it than I would.

COMMISSIONER WICKWIRE: Q. A man employed as a machinist in the machine shop would he not have to be employed in that shop for shipbuilding and ship repairing work?

A. Well, certain men --. For instance -- most of our employees that go into -- we will say --

the machine shop is what we call fitters, machinist fitters. They are men that go out and install -- for instance -- the people -- they install the gearing in your engines and your turbines, whatever it may be, your pumps or your auxiliary equipment, set it in place, line it up. Those are not the men -- the class of men that run machines. They are a different type. They are what we call machinist fitters.

The trouble is that in industrial work you do not have anything much for that man to do. You may have a few but not many.

MR. GERIN-LAJOIE: Q. What about your steel workers?

A. The steel workers, well, there is a certain amount of work we get in. Some of the men in our fabrication shop, industrial work, we are able to provide a little work, not much. That is -- in other words, help to take care of some men we keep for our repair work in our shop as long as you have a few of these men. If you wanted you could not train men on that class of work for ship work but you can help to keep occupied some of your ship repair men on that class of work but you cannot turn around and take men who are foreign to the repair work and give them that work and put them out on the ships.

MR. GERIN-LAJOIE: Q. Referring to your shipbuilding and ship repairing works, do I understand that you cannot undertake any ship repairing

work during the wintertime?

A. No.

Q. On account of the absence of ships?

A. Well, we can take it if we can get it. We cannot get it. That is the trouble, you see. Some years ago, away back, it's a long time ago, we used to have quite a few ships winter here at the Head of the Lakes, as a matter of fact, for the purpose of the storage of grain. During the winter wherever these ships winter there is quite a bit of hull work and one thing and another. There is quite a bit of that, but the trouble is here the last few years I would say -- I would say 12 or 14 years that there has been practically none of these ships lying up to be repaired. Two years ago we had quite a nice ship in the dry dock. It was a C. S. L. ship that we had here for some winter work but that doesn't happen. Last year we had practically nothing.

Q. Do you see any remedy to that situation?

A. No. That is something that I can't -- after all, if it is good business for these fellows to go down east with a cargo, a storage-unload cargo and unload it at these elevators whenever it is convenient, it is good business --.

COMMISSIONER WICKWIRE: Q. Is that the reason, Mr. McDougall, that you are not getting any ships lying up?

A. I think that is the reason.

Q. That ship is available, I assume, as soon as navigation opens to go up to the Head of the Lakes in the Spring?

A. Yes.

Q. Why would it not be equally available to be left here and loaded as soon as navigation opens up?

A. He will lose that unloaded cargo that was loaded here at the end of the navigation. What they do is that they load with what they call a storage and unload cargo. They get so much for not only the carrying of that cargo down, they get so much for storage too. They couldn't get storage-unload cargo here. It is a special deal and arrangement they get down below. Another thing that has been very important is the fact that the Eastern elevators, you see, have been practically filled or plugged at the close of navigation and it gives them extra grain down there so that during the winter so as that grain moves out, they take it out of the ships. That helps the elevator situation here too.

COMMISSIONER WICKWIRE: That must the the explanation?

A. Yes.

MR. CHARNOCK: May I intrude there just a moment. That class of navigation can depend somewhat on the grain market at that particular time as to whether just how badly they want that grain down yonder or how badly -- how much they can afford

to leave here. They will rush boats out of here at the very last moment sometimes.

MR. McDOUGALL: Sometimes it is a case of storage in the elevators. These elevators are pretty near full and when the elevators get plugged they go down below.

COMMISSIONER WICKWIRE: Q. When did the practice of storing grain in laidup vessels first commence?

A. I wouldn't want to try to answer that but it has been done for some years, you know, off and on.

Q. Was it since that practice started that you had little or no repair work, is that correct?

A. I would not want to say for sure, sir. That might be, but I wouldn't want to say.

MR. CHARNOCK: I was in business for 43 years and that practice was in existence.

COMMISSIONER WICKWIRE: Q. Was there any ever stored at the Head of the Lakes?

MR. CHARNOCK: Yes.

Q. When?

A. If the boat gets in here too late to clear again before the insurance goes off.

MR. McDOUGALL: That is not very often in fact, very, very seldom.

MR. CHARNOCK: It used to happen.

MR. McDOUGALL: Yes.

MR. CHARNOCK: It is just a case where the

season would happen to catch a boat that could not get out on time.

MR. McDOUGALL: I think another thing that has affected that a bit is the fact that in the last number of years we have had a pretty heavy carry-over of grain. We have had pretty big crops. They used to figure two good crops out of three. I think lately it has been about three out of four and the wheat has been piling up and the storage problem has been quite a serious thing. In other words, they use every facility they can to keep the grain in a position where they can move it and then when these elevators are plugged in the fall they try and get all the grain they can down below. During the winter they move the grain out from the ships into the elevators and down to the seaboard by rail.

MR. GERIN-LAJOIE: Q. Can you tell the Commission what would happen -- whether you know what happens to your employees during the winter months when you do not employ them and you look for men in the Spring?

A. What has happened since the war we had two periods when things slackened off quite a little bit -- right after the war before we started this hopper vessel for the French. We had quite a long layoff. Then we got that order and things picked up again. When the French hopper barges were finished employment went down and just about that time we got an order for the

tanker and since then up until last year, until about a year ago -- a little over a year ago when we delivered the Paterson, we have been fairly busy on account of these other four big Upper Lakers.

Q. All your own?

A. Yes. Now, of course we have had a big layoff because we are down now to small -- we have nothing in sight. That is the problem now. We do not know -- here are these men. What are we going to do?

Q. Particularly in your layoffs in the wintertime when you do not have any repair work?

A. We were fortunate in having new construction to take up the slack. We worked right through the winter in that operation. Weather doesn't bother us to any great extent.

Q. I wonder if you could suggest to the Commission how much new construction you feel your shipyards should have each year to keep it working to keep it busy all the time?

A. You are thinking of just commercial shipping?

Q. Yes.

A. All shipping, naval work?

Q. Well, let us say all work and then divide between naval and commercial?

A. All shipping, we are getting away surely -- what I am wondering are you thinking about or are we taking it for granted we are just going to have shipyards from the defence angle

where you have to get skilled shipbuilders trained and ready and one thing and another?

Q. That would be all right.

A. Well, of course, a plan like that, I would think, would have to be worked out. In other words, I mean, some arrangement would have to be made as to what is going to be expected of us. In other words, if the idea was to try and keep a staff of skilled men, going all the time or if they are needed in an emergency we would have to have some idea what would be expected of us and how quickly would they expect us to be available to jump right into naval work, what the volume of the work would be, otherwise it is pretty hard to say.

Q. Do you suggest -- I do not think it is suggested in your brief, that there should be such a plan and that every shipyard should be brought into the picture and it should be decided ahead of time what should be expected from each shipyard in Canada?

A. I would think some arrangement or something like that. I would think that would be the thing to do. If this is going to be considered seriously as a means of defence, or a defence measure. In other words, some plan would be there whereby we would have available and ready then we would have to have some idea of what we are going to have to do and how quickly we are going to have to do it. I would think we would have to have some plan, not only our yard, but other yards as well.

Q. If there was not to be any such planning, do you still feel that your shipyard should be kept going and the other Canadian shipyards should be kept going just for the purpose of having people ready in time of emergency?

A. I think first of all what we want -- we feel if the coastal shipping is restricted to Canadian-built and Canadian-registered vessels that this country can -- there is a possibility that maybe we can keep going.

Q. I am wondering what is your objective? What type of work you would have to have and how much of it to have a steady business?

A. You mean what type of -- whether we would want commercial shipbuilding or naval shipbuilding?

Q. Well, mostly the percentage of shipbuilding and ship repairing, and how much of it?

A. There again taking into consideration--

Q. You know the size of your ships. What would you consider a fair amount of shipping each year? Of course, I realize that any company or any enterprise wishes to develop itself?

A. That is right.

Q. Leaving this factor aside, considering the amount of work you have done during the war and after the war what would you feel should be the nucleus necessary so that in time of emergency something could be built around that

nucleus?

A. There again you are going right back to my point. That is why it makes it so difficult for me to answer because the question is -- so much depends on what you are going to have to do and how quickly --. At the end of the last war -- frankly I think the whole shipbuilding organization throughout the country did a wonderful job and I feel very proud of what we did because we started in from nothing to build ships and produce them and our organization was down to such a low ebb at that time; that is why now it is so difficult to say unless it was planned or you have some idea of how quickly you have to get going and what volume you have to meet --. I am sorry I cannot give you it now but -- for instance -- today the shipyards on the Great Lakes are down to about 1,000 men. That is terrible. We have the Great Lakes' yards, that is Kingston, Port Wellar, Port Dalhousie, Midland. Of course, Midland is practically nothing. Collingwood and Port Arthur, 1010 men.

Q. At what month?

A. July, 1955. It may be a little less than that now. Another thing then against that there is a lot of men on industrial work in there. Heavens, that is nothing.

Q. You are proposing as a remedy or a partial remedy, in other words, the restriction of coasting trade to Canadian-built ships. Have

you considered the possibility of a subsidy system from the Canadian Government?

A. I am frightened. I think this subsidy business is pretty dangerous in this country. It might be -- for instance, what we feel is that, and I know I feel it, is the fact that we are asking for something here, which is not subsidy, and give us a chance and let us try and see if we cannot make it go. We are asking for something we think is quite within our rights.

When you come to this subsidy business I think it is awfully dangerous. Personally I would not want to go on record as saying I would be in favour of that. It might be an easy thing to say "Sure, give us a big subsidy and that is fine", but I do not think that is the right thing to do.

COMMISSIONER WICKWIRE: Q. I think the reason that suggestion has been made is that it might be said to be the fairest way to do it because then the people of Canada would be paying the shot for defence purposes whereas otherwise it might be only a certain section or a certain class who are paying for it?

A. Well, I question whether it is going to cost any more even the other way. It might cost nothing. However, we feel very strongly about the fact here we are living practically right alongside the United States. We are practically the same class of people. We have pretty much the same problems. They have kept

their coastal trade restricted since 1817 and that is what we feel why should not we have the same things. That is we believe we are still entitled to it and the other thing is that because -- maybe I am starting to wander here -- that is the defence angle. We have proved -- the proof of what was done in the last war, the last two wars, what the shipyards did is certainly proof to me, I think, and when the Chairman mentioned about Mr. Drury, the late Assistant Deputy Minister making the remark that he made that the next war would be possibly only two weeks, I think he was very ill advised to say that. Personally I think it is. Maybe you will agree with me, I don't know.

THE CHAIRMAN: I could not say.

THE WITNESS: I think it is a pretty drastic statement for him to make.

MR. GERIN-LAJOIE: Q. Would you have something to say in answer to the group of persons who have represented to this Commission that the allowing of British ships to do the coasting shipping of Canada is an economy to the Canadian consumer and thus an advantage to Canadian trade?

A. In other words you mean -- you are sort of taking the attitude if a British ship, we will say, were ready and willing to come up here and coast that they may be a means of getting material to the ocean a little cheaper. Is that the idea?

THE CHAIRMAN: Q. And getting materials

from the ocean back here?

A. I question whether that is right or wrong.

Q. Why are the ship operators fighting it?

A. Because of the same --- for the same reason I suppose, as we are. I should think that most of the rates or the rates for grain are set by the Transport Controller and people like that. There are restrictions. After all, the reason they are fighting it is because they may be put out of business.

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THE CHAIRMAN: Q. If you are going to be put out of business it is because somebody is getting cheaper transportation?

A. Not necessarily but there may be something to that. Look at what they are paying their crews. Look at what the ships cost in the Old Country. We have built up a high standard of living in this country. I do not see why we should turn around and back down. In a case like this we should stand up for our rights. We are entitled to it.

The point is you can see where the situation would be a rather serious matter. Supposing that they did drive all the Canadian ships off the Lake what would happen? It might be a very serious thing, you know, they might get control of it and you might find the rates would be just as bad even if it had been costing lower rates.

Q. In that particular case their rates are much higher than foreign rates and if they attempted to blackjack the Canadian people by increasing the rates they might bring in the competition of foreign shipping, not United Kingdom, but foreign shipping.

A. Another thing when you get the deep waterway I think there is no doubt but that it is going to mean a reduction in getting the grain down to Montreal in our own vessels.

Q. That is true, and the question is really whether the barring of United Kingdom

vessels into the Great Lakes will increase the cost; the question is more properly will it prevent the greatest possible decrease? Now, I think there are some very serious questions for both you and the ship owners' firmly held views that failure to bar British ships will sweep the Canadian ships from the Great Lakes?

A. We do not say it will. We say "It might".

Q. We have watched for the last few days and I have seen all my life these great lake bulk carriers, and you have built them -- do you think there is anything that can come across the ocean that could come even close to giving the efficient transportation they do?

A. For this service?

Q. Yes.

A. Well, it is possible.

Q. How is it possible? In the first place you certainly know how to build them?

A. We sure do. We do not make any bones about that.

Q. No matter how smart the British ship builder is, he would have to learn how to build them?

A. Yes.

Q. Secondly, he has got to get them across the ocean. Could he do that?

A. Well, I think, sir, that probably that is a question the subject of which should be

answered probably be someone who is a naval architect. I am not and I think it is a pretty big subject.

Q. I thought I was going to have the opportunity to ask that question of you who are a practical shipbuilder but you pass it over to an architect?

A. Well, sir, yes, because it is a big subject but it could be done.

Q. Is it not a fact that is the only competition that the Great Lakes' operators or Great Lakes' ship builders fear because the tramp type cannot compete and unless the British ship owner can come into the Great Lakes with their British-built ship, which is as good as or better than your laker, he cannot compete, is that so?

A. He certainly cannot compete in so far as the efficiency of that class of ship but we must not forget the fact that the ship costs a lot less money to make. We must not overlook again they can operate it at a lot lower cost than we can and the operation of a ship is a pretty important factor.

Q. Then statistically you say that the cheaper capital cost and the cheaper operating cost will or at any rate you fear might outweigh the cheaper cost due to efficiency?

A. There is a danger in that. This is something that would have to be studied pretty closely.

Q. Any studies I have seen have not brought that out, I do not think they have gone into the question of the differential in wages but part of that differential break was 17 cents for a tramp ship and 11 cents for the Upper Lake type, and it would take a considerable wage factor to overcome that differential, would it not?

A. Yes, if that is right. Of course, they feed their crews much cheaper than they do on these Canadian ships. The high standard of living on the ship, that is quite an item over a season.

COMMISSIONER WICKWIRE: Q. How long is a U. K. crew going to stand for that if he is coasting in Canada when he sees a fellow that is white and speaks the same language as he does, they are working side by side, one ship Canadian and one U. K., how long is he going to stand for that?

A. That is hard to say. I could not say exactly.

THE CHAIRMAN: Those are things we are going to have to find an answer to.

A. It is a pretty difficult thing. I do not know who would be able to answer that question. Somebody might try to.

THE CHAIRMAN: There have been some indications that the difficulties are rife, are they not?

MR. GERIN-LAJOIE: I have one final question. I wonder if you have considered the possibility of having restriction on coasting trade to Canadian-

built ships for the Great Lakes and St. Lawrence area only and not Newfoundland and the Maritime Provinces area?

A. I have thought of it, of course. I could be selfish but I think it should be for Canada. I will agree with you that Newfoundland is probably as bad -- I think maybe some special arrangement would have to be made there. I think it should be for the Dominion of Canada.

Q. You would still consider the possibility of having different rules or exceptions for Newfoundland or that region?

A. Well, somebody -- I would suppose if something was offered we would certainly look at it. We feel very strongly about this, Mr. Chairman. We feel again I have got to say that Canada -- there is no reason why we should not have that coastal trade. I don't see why we should have ships in the coasting trade -- for instance, even Hawaii is United States territory and if a ship comes in it has got to be an American ship.

COMMISSIONER WICKWIRE: Q. Mr. McDougall, for all practical purposes you have had it up till now?

A. Close to now, yes.

Q. Because of the 14 foot channels in the St. Lawrence?

A. That is right. That is what we are worrying about, what is going to happen in the future?

THE CHAIRMAN: Q. Where is it in the United States? There is very little coastal shipping in the United States. The railroads have got most of the shipping in the United States. There is far more transferred by rail, even potatoes coming from Maine forwarded by railroad?

A. Yes. They would probably get quicker despatch, maybe that way than they would by boat.

COMMISSIONER WICKWIRE: Q. I think one of the reasons was that shipments of potatoes put in at one place will just wreck the market?

A. Yes, whereas the other way they can divert them to other places.

THE CHAIRMAN: Q. Your thought is to take care of the east coast situation by exemptions?

A. Yes.

Q. But what you would have to do is exempt the present operators. Surely all the Canadian interests would have to do would be to buy out the present operators because everybody else would be barred?

A. They would have to have a restriction so that they could not buy them out. I realize that that is a problem of Newfoundland and a very serious one but as far as Canada is concerned, I think---

COMMISSIONER WICKWIRE: Q. Even Newfoundlanders say they are part of Canada.

A. Well, they are definitely. We must not overlook that because they just came in a short

time ago. We have got to treat them right and show them we appreciate the fact they are in. I think some arrangement could be made very easily.

MR. GERIN-LAJOIE: That is all the questions I have to ask.

COMMISSIONER WICKWIRE: Q. Mr. McDougall, for my own information, my confreres may understand but I do not. You say that the new ships operate so much more efficiently than the ship we saw in the dry dock this morning?

A. Yes.

Q. Would you enumerate for me the reasons why the new ship operates so much more efficiently? Is it because they carry more?

A. Well, I would say first of all it is more efficient. That is it is a more efficient piece of -- I had better put it this way. One of our new large ships in comparison to the old ones, when we take into account costs and everything, is a much more efficient piece of equipment to operate.

Q. Because it carries more?

A. It carries more grain. The other thing is that you carry the same crew as on the old ship that you saw. Wages are quite an important thing and in the new ships with a more efficient power operating machinery this vessel will make much better time. They may have in a steam turbine and if you compare the cost compared to this other ship you will find

she is operating much cheaper. You are making better time. You have the same payroll as the old one.

Q. Could it make an extra trip a year?

A. I do not think there is any doubt about that.

Q. At least one?

A. At least one definitely.

Q. Any more crew; perhaps a less crew?

A. No.

Q. About the same number?

A. Yes. I said at least one more trip because I think I could have said more than that. I do not know whether this might be of interest. One thing when we were talking about ships being built over in Britain there is one ship being built, Mr. Chairman, over in Germany for the Mont Ship Lines. There is escrow money being used to build this ship and the ship is being registered in Canada.

THE CHAIRMAN: Q. What kind of ship?

A. I am not sure. I think maybe it is a canaller and the Hall Line at the present time, probably as you know, are building two ships. They are building two ships in Britain, the Hall Steamships.

MR. WICKWIRE: Thanks very much.

THE CHAIRMAN: Thank you, Mr. McDougall. You have given us a great deal of very valuable information. We will adjourn now and proceed

tomorrow morning at ten o'clock on the hearing of other submissions.

---The hearing adjourned at 4:55 p.m.

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(Page 1682 follows)

ROYAL COMMISSION ON COASTING TRADE

Report of Port Arthur hearing on
Tuesday, August 23, 1955.

---On resuming at 10:00 a.m.

THE CHAIRMAN: Mr. Mundell, do you propose to deal further with the Port Arthur and Fort William brief. Perhaps we can have that before we proceed with the brief of the Union.

MR. MUNDELL: Mr. Charnock is here and has certain material he would like to file as a result of yesterday's discussion.

MR. CHARNOCK: Mr. Chairman and Members of the Commission, yesterday morning at the opening of the proceedings a question was asked as to whether there had been anything prepared here in the way of information regarding the possible effect of the Seaway at the Canadian Lakehead. The answer could have been a bit misleading because it stressed the visit of Dr. Mayer and Dr. Solomon from Chicago. We, as a matter of fact, had not waited for their coming, by any means, and in proof of this I would like to submit this statement that was prepared by our Joint Transportation Committee of the Fort William-Port Arthur Chambers of Commerce with myself as Chairman. This is dated November 20th, 1954 showing the effect of the deep waterway at least as completed and as completed to Lake Erie only and as the

situation existed prior to that.

The only thing needed to be added to that at the present time is the completion of the waterways from above Lake Erie as presented in a Bill to the United States Senate January 6th last, and, of course, the formation of your Commission.

THE CHAIRMAN: Now, Mr. Charnock that was already given as Exhibit 41?

MR. CHARNOCK: Following that, I would like to file a report of a trip I made to Duluth it being a port on the American side most comparable to Fort William and Port Arthur; on the American side that is Duluth and Superior. That will demonstrate what they are doing over there and it was demonstrated that the information that I had already given to our Chambers of Commerce here was O. K. and it outlined the possible procedure that we might take something from the hearing.

---EXHIBIT NO. 42: Report to the U. S. Senate.

MR. CHARNOCK: Then the next thing I would like to submit is the report gotten out in July, 1955 which is headed: "What Does the Regulation of Canadian Coastal Trade on the Great Lakes and St. Lawrence River Mean to Our Friends on the Prairies?"

This was a question I was asked by some individuals at Ottawa recently and I was asked several times after that. This was sent to Calgary and other places in the West.

As the Joint Transportation Committee of the Chambers of Commerce we have to remember at all times that we have to advise all carriers in our membership and all types of industries, as well, and at times it is something like a tightrope act, but we have not been caught off base yet, and we are doing our very best to be fair in all cases. In this statement I have treated the situation as being more or less sub judica as far as any decision is concerned which, of course, rests with you gentlemen. If you want me to read that lengthy manuscript, I can do it.

THE CHAIRMAN: Mr. Charnock, no decision rests with this Commission; a recommendation only.

Perhaps it would be an advantage if you would read your statement into the record.

MR. CHARNOCK: I would be glad to do this. This will demonstrate that we have tried to be fair and see both sides of it.

The reason this business has been treated as it was, is that this report from Collingwood had a little defect in it, as we saw it, in that it did not specify the date when these ships that were not built in Canada would be out, as that was brought up yesterday, but also we had many people talking here about what the Seaway would mean in the way of reduced rates, so we knew very well that that question was going to come up and you could not keep away from it by ignoring it, and that is why I wrote as I did here.

Like so many of the questions connected with the deep waterways problem it is hard to answer in a straightforward unequivocal way unless you disregard some of the important factors.

That is why a Commission is considering the problem now.

For instance, how many foreign ships are going to be involved and how far west are they going to come? By the time the 27 foot depth of channel reaches the Canadian Lakehead what is the demand for foreign goods for the Prairies going to be to supply the needs of the then population and industrial development, for goods mean cargoes and cargoes mean ships. It is a long way from the Lakehead to the Gulf of St. Lawrence where many kinds of coastwise traffic exist to and from different ports and a foreign ship in-bound with a cargo for Montreal or Toronto is not likely to be available for a cargo from the Lakehead to Montreal or even for foreign ports unless it could pick up a cargo from Montreal to the Lakehead and a readily out-bound cargo were not available at the port of unloading the original in-bound cargo.

As though this were not complication enough, we must remember that a 27 foot depth from the Lakehead to Montreal will let the big upper lakers over 600 feet long go to Montreal to meet ocean ships too big to use even the 27 foot depth economically which is quite different

from the present limitation of 14 feet and boats about 255 feet in length.

There is also the matter of possible tolls, variations in which could influence possible rates along with the other factors mentioned above and rates are what the West is interested in particularly while the Lake ports must consider welfare of shipyards, the fact that Canadian officers and crews are mostly Canadian citizens and spend their money in Canada, largely at the Canadian ports and also boat for boat, the lakers can move far more bulk cargoes in a given time and thus relieve congestion faster at terminal elevators, or docks, etcetera.

Now the problem is this: the ships registered in the British Commonwealth can, under the present agreement, trade freely between any British Commonwealth ports. This agreement was made some 25 years or more ago and from all accounts, the coastwise trade on the Great Lakes of North America was not, and not yet, such an important item as it will be when the larger ships can participate in it and a larger percentage of the smaller boats could, if necessary, go beyond the limits of the Great Lakes and the River than at present for the small boat is a thing of the past and the big lakers are entirely unsuited for ocean trade. The Great Lakes coastwise trade is an inland business, anyhow.

British vessels that might enter this

coastal trade are reported as paying their sailors about $87.57 per month as compared with about $204.00 paid the Canadian sailors on the Great Lakes.

This comparison extends to other expenses as well in various degrees.

From this it can be readily seen why the Canadian ship owners are concerned as to the ability of the British ships being able to drive the Canadian boats out of the business, also the Canadian shipyards.

Now, from a strictly Prairie point of view, our Western friends could say; "The above indicates that the British ships would mean competition and competition means minimum rates which is O.K. for us" but, there is always a "but" in transportation matters, when competition forces rates to a point where none of the competing parties make any profit, it always means curtailment of services, increased rates or even subsidies. These ocean ships can pull out of the lake trade any time and go elsewhere, if the lake trade is not profitable and if any considerable number of Canadian boats have been laid up in the meantime, they could be missed pretty badly, especially during the grain rush when it only takes a pretty short spell of bad weather on the Lakes to start the congestion that only the big lakers can take care of.

Besides, there would be a loss in the

Canadian economy of the earnings of the Canadian boats and shipyards and of the wages and other payments they make in Canada.

On the other hand, to exclude the foreign ships is to give the Canadian boats a monopoly and perhaps it would be well if some sort of assurance could be arranged whereby that situation would not be abused or if it were, protection would terminate.

It may come as a bit of a shock to some of our Western friends to know that foreign ships are not so keen for grain cargoes if others are available. Rates are comparatively low and these ships are not built for quick unloading or loading like the lakers, often require special bulkheads, shift boards, etcetera to keep the cargoes from shifting on ocean runs, etcetera. Ask any terminal elevator which type of vessel he would rather load and there is no doubt as to the answer with emphasis.

So much for domestic business.

On export and import business, provided the foreign ships can get cargoes both ways there should be no doubt as to their ability to quote attractive rates and by eliminating some handling possibly force lake carriers to Montreal, for instance, plus big ocean ships to and from there to take steps to see them.

Considering that these rates on foreign vessels would be through rates, however, this

movement has nothing to do with coastal business on their part.

As this whole matter is in effect sub judica, it would not be in order to offer any decisions and nothing above should be so read or understood. What I have tried to do is to give some of the important factors in connection with the question asked that must enter into its consideration. The Commission can get all of these and doubtless many more, and the decision rests with them.

At present no U. S. boat can enter the Canadian coastal trade, nor can a Canadian boat enter the U. S. coastal trade (On the Great Lakes in both cases), but there have been times when these restrictions have been lifted in each case to meet temporary situations.

Canadian ships go to U. S. lake ports and U. S. ships come to Canadian ports, and there is a movement under way to amend the treaty so that these will be the only vessels allowed to participate in this trans-boundary trade.

If any of these remarks have been of any use, I am glad. There are so many interests to consider in a manner fair to each that it makes any statement such as this a bit more difficult than it would be otherwise and I am only too well aware that it does not make for big attractive headlines. However, it is all written without prejudice and if there are any questions concerning details that I can answer, I shall be glad to try

my best to do so.

THE CHAIRMAN: Thank you very much, Mr. Charnock.

Mr. Mundell, would you prefer to have this report given an exhibit number in addition to having it read into the record?

MR. MUNDELL: I do not think so, Mr. Chairman.

Q. I just wanted to ask one question. I had not seen the statement before. There was one statement that might be amplified.

I understand you to say, Mr. Charnock, that you were confident that the little vessels would disappear, that the trade would largely face, to the bigger vessels from now on. Is that your view?

A. That is my view based on conversations with various people, and I think Mr. McDougall will bear me out that ships recently constructed have not been of that small lower lake canaller size but of larger ships.

Q. I take it we are talking about bulk trades and not as to the package freighter?

A. I am talking about both bulk and package trade.

Q. You think that the freighter will be bigger, too?

A. Yes, I mean why would they not because as has been pointed out before this morning, these small boats are only 250 to 265 feet long and they take a comparatively larger crew than the larger boat

that can take a much larger tonnage, and I doubt if boats will be able to indulge in traffic on a 14,000 ton basis with a 255 feet length when the others can carry larger cargoes.

Q. Well then, following that up, if the trade all goes to the larger lakers, let us say for bulk traffic alone, have you any basis for your judgment as to whether or not they may not be able to out-compete foreign vessels on the basis of their efficiency and---

A. That depends on your foreign vessels, I would say, because these foreign vessels are not -- although you call them tramps, are still good-sized boats and well-equipped.

THE CHAIRMAN: Q. Mr. Charnock, when we use the word "tramp", we use it in the ordinary marine sense. We do not say they are ancient vessels. I realize that some of them are very efficient ships, none-the-less, are they not a ship for the purpose of bulk trade on the Lakes that is not as efficient as the lakers?

A. That is right. I think I mentioned that in there. Of course, I am talking now about the upper lake point of view. I do not know what there may be running down on Lake St. Pierre but that is all---.

Q. After the deepening of the Seaway, what is running here will run right down to Lake St. Pierre?

A. That is right.

MR. MUNDELL: Q. You do not know of any study that has been made of say the comparative efficiency of the laker and the cost per unit of transportation for a laker compared with what it might be for foreign vessels, taking into account the difference in wages and the difference in---?

A. There have been studies made but the information is not publically available.

Q. I wonder if you could tell us who made the studies?

A. I think that can be got. For instance, the Canada ship Lines would be able to tell you that.

MR. McDOUGALL: I think you will probably get that answer from the Canadian Maritime Commission.

MR. CHARNOCK: May I say, Mr. Chairman---

MR. MUNDELL: I am not sure that there has been any information before the Commission as to an upper laker competing with a lower laker.

THE CHAIRMAN: No. That has not been projected into the future.

MR. McDOUGALL: I think in the 6th Annual Report of the Maritime Commission an estimate was made of the daily operating costs of two 10,000 ton dead weight vessels, one of them Canadian and one U. K. register.

COMMISSIONER BELAN ER: We had that information.

What we need is how much does it cost on a laker for the handling of wheat or something like that, considering the efficiency of the laker and how much it would cost on another vessel.

THE CHAIRMAN: The secretary of this Commission made a very valuable and enlightening study of that some years ago, but I do not think he attempted to project it tinto the future of the then non-existant Seaway. The figures were quite startling in view of the efficiency of the laker at that time. I am much interested in knowing whether there can be competition between the Canadian laker and the psuedo Canadian laker imported into the Great Lakes having been built in cheaper markets, which would undoubtedly be the United Kingdom.

MR. CHARNOCK: May I ask, sir, if you are differentiating between the bulk or package trade?

THE CHAIRMAN: Yes. I think you have. I put to you, Mr. Charnock, that a pretty astute gentleman, (Mr. McEwen) of the Paterson Company was not, of your opinion that the smaller package freighter would disappear because he felt that the smallness of the package freighter was an advantage; that there were many cases when it could not be hoped to be filled if it was a big ship or a medium-sized boat -- It was not a small boat, it was medium sized, about 400 feet, was it not?

MR. MUNDELL: Less than that.

THE CHAIRMAN: It would still be of considerable use in the package trade.

MR. CHARNOCK: I am glad to hear that, but I think possibly there may be some question as to that as governed by a particular run or trade in which it was engaged because a boat loaded here, with 'tween decks, for instance, could load partly grain and partly package so that this boat plying we will say between Montreal and Toronto would not have the same facility although they would have bigger potential cargoes.

THE CHAIRMAN: Q. Now, the Canadian Steamship Lines big package freighters are not nearly the size of the grain boats, are they? They ran about 400 feet!

MR. MUNDELL: I think the new package freighter one of the Lines built was a 400 footer.

MR. McDOUGALL: The one that was just completed here, Mr. Chairman, that we started operating in June, the Fort Henry, is about 400 feet.

THE CHAIRMAN: Where was that built?

MR. McDOUGALL: It was built at Collingwood, Ontario.

MR. MUNDELL: I beg your pardon. I withdraw that statement.

MR. CHARNOCK: That, sir, I think only proves my point because if these small boats,

and when I say "small" boats, I mean the lower canallers -- I do not mean the 400 footers---.

THE CHAIRMAN: Q. Everybody agrees that these boats will disappear.

MR. CHARNOCK: I do not mean boats like the Renfrew or boats like that, 400 footers. I do not mean that at all. I mean these little lower lakers, because I think I mentioned 255 feet.

MR. MUNDELL: Q. Coming to that, I am going to ask you whether or not your Joint Council Committee gave consideration to the problem. You are asking for overall protection. Have you given consideration to the problem of whether it might be unnecessary to protect the bulk trade, but it might be necessary to protect the package freight trade?

A. We have thought of it, but we have not thought of an answer.

THE CHAIRMAN: It would be very difficult to do so under the circumstances you have just mentioned when the boats will be carrying maybe 40 per cent bulk and 60 per cent package or vice-versa?

A. I have various figures. Some of them I am not mentioning here because I do not feel I can depend upon these 100 per cent. For instance, to get the total number of ships that are cleared from here. There are over 2,500 a year, but sometimes they clear from one port to another, and therefore, I can show them to

you outside if you want me to.

MR. MUNDELL: Q. These are figures of boats entering and leaving Fort William and Port Arthur?

A. That is right.

Q. They do not break down between foreign bottoms and Canadian bottoms?

A. No, but they break them down between coastal and other trade.

Q. Ocean-going?

A. As I say there is a complication---

Q. Coastal and international with the United States?

A. Yes, that is right.

Q. I think it would be useful to have the figures. I gather your hesitancy is because it does not deduct from the total what comes to Fort William and Port Arthur, which shows twice.

A. For instance, one year it shows more ships coming in than there was going out, so it is a rather self-evident fact that an explanation is needed and more study on it before I would want to submit them. I do not know what your wishes are, Mr. Chairman.

THE CHAIRMAN: Q. Well, these are figures obtained from the Harbourmaster?

A. That is right.

THE CHAIRMAN: Surely the Secretary can deal with that.

MR. McDOUGALL: May I just say, Mr. Chairman,

Mr. Charnock was sort of questioning me or suggesting that I might know. When he mentioned the canal freighters I can tell you that there is going to be plent of use for these. I think the fact that there are some being built new would bear that out. For instance, the Hall Coporation is building two in the Old Country and Paterson is building one in the Old Country, and Paterson is building one in the Old Country, and Canada Steamship Lines have just completed and put into operation within a matter of weeks, a new one.

MR. MUNDELL: Q. What size would they be?

MR. McDOUGALL: About 260 and 265 feet. I am not too sure, there may be more but I just know of those off-hand.

MR. CHARNOCK:. These boats, Mr. McDougall, will not be trading up here, will they?

MR. McDOUGALL: Quite possibly. They do to a certain extent.

MR. CHARNOCK: I understand there is certain trade that comes down through Erie, for instance, even from Montreal down that way and there will always be small boats down there, but I am glad to have your correction on that. I was speaking from information that I have got from other sources. I still think as far as the Lakehead here is concerned, we have seen pretty much the last of these small canallers.

MR. McDOUGALL: I would not think so. I am sorry to differ with you. I saw one loading

yesterday.

THE CHAIRMAN: You will see them loading now Mr. McDougall, because that is the only thing that can get to Montreal today. What about November, 1958?

MR. McDOUGALL: Well, I still think that with the grain rush on in the Fall, they can be here and they can do quite a lot. It depends what other cargoes they have.

THE CHAIRMAN: That is just because there is a certain time. You will take verything that floats to put grain into and get it down.

MR. McDOUGALL: That is right. We have seen this for the last few years and I think you will still see them even in 1958. Of course, right now a lot of these canallers are working on the ore at Seven Islands up to the other side of Montreal. There are some available and they switch to grain during the rush/grain season.

MR. CHARNOCK: Would you compromise on that and say that the percentage of small boats has decreased and will decrease further?

MR. MUNDELL: Q. Have you any information as to the relative significance at the Lakehead of bulk traffic and package traffic?

A. No, no information that I would submit. I have been told if I will apply to the Canada Steamship Lines that they will give me some valuable information about it, but that has to come from their head office. I have not had

the opportunity yet of obtaining that. I think they can possibly give the best information.

THE CHAIRMAN: We will hear them in Montreal. I will make a note to put that query. I would be surprised if they ever consider the bulk trade, out of these ports. What eastbound package trade is there?

MR. CHARNOCK: Eastbound freight consists of grain products---.

THE CHAIRMAN: Q. Flour?

A. Particularly, of course, westbound freight is general cargo, also automobiles and the like of that, agricultural implements, binder twine. You can name many of them.

THE CHAIRMAN: Have you completed, Mr. Mundell?

MR. MUNDELL: Q. There is one further question. In the letter of June 17th, addressed to the Commission from the Corporation of Fort William, which is B-46, a resolution was forwarded in which there is one question that arises. The resolution reads:

"THAT we endorse the resolution "sponsored by the Town of Collingwood, Ontario, "and request the Federal Government to "enact the necessary legislation designed "to afford protection to the Great Lakes "Communities from monopolistic and unfair "practices by Canadian Operators and

"Shipbuilders in the matter of reserving "Coastal Trade and Shipping on the Great "Lakes for vessels built and registered in "the Dominion of Canada."

I do not believe the resolution of the Town of Collingwood is before the Commission.

I was wondering if you could identify that resolution?

MR. CHARNOCK: Yes, I cannot give you the date but the Town of Collingwood are, naturally, 100 per cent interested in their shipyards and we are interested in the shipyards here just as much as they are, but we have here, also, a forwarding business that we have got to keep in mind because as that forwarding develops so our situation here will develop and so the trade will develop all through.

Q. On this point I was really wondering if you could identify the resolution?

A. Roughly speaking, the resolution was simply this; that boats -- vessels rather not built and registered in Canada should be exluded from the Canadian coastal trade.

Q. Well then, may I ask---?

A. Pardon me; they specified, as I mentioned yesterday no date as to when that would apply, although as the resolution reads it would have in effect shut out the C. P. R. boats for instance and quite a number of Canada

Steamship Lines boats, the C. P. R. boats being built in Scotland. I do not doubt but what that was not the intention of the resolution, but that is the way it read.

Q. What did the resolution say about monopolistic practices that the City of Fort William has endorsed; measures to protect against it?

A. I am not speaking for that Fort William resolution. That is a city resolution. I can speak for advice from the Chamber of Commerce on which the resolution was based in that we simply advised as I have already read in this brief here that if Canadian carriers were given this monopoly, because that is what it means, then some safeguards should be added whereby, if rates that were detrimental to our interests, and so on, that could be proven to be unfair, were put into effect then that protection would be removable and not fixed forever. To assume that that clause was not intended as it read and just assume that it would never be used is, perhaps, being a little bit naive as far as freight rates are concerned. It has not been our experience that you can do that.

Q. Would your Board have in mind any specific advise for protection against monopolistic and unfair practices; would there be a regulation of rates?

A. Well, yes because here I am not speaking of rates existing at the present time, but possible rates that might be put in and not only rates but the differential between all-rail and lake and rail rates. For instance, or rather rail-lake-rail rates. For instance, there are rates in effect today through these ports to the West that do not give an advantage to those ports of the actual lake mileage. In other words, it is possible to use land mileage for water carriers. That is water direction of the carriage. But if we get into the idiosyncrasies of these rates, sir, we will be here from this time until a week from now.

Q. My only inquiry was directed at this time to the measures of protection. You may have envisaged. Secondly is this assumption there may be monopolistic and unfair practices. I take it that your Board is assuming that there may well be vices. Is that correct?

A. Well, I have been playing around with freight rates for half a century and I have seen quite a bit of it.

THE CHAIRMAN: Q. The municipalities words were very interesting to us when we had heard on three different occasions quite firmly put the fact that the competition amongst Canadians was fierce or high or real in effect and yet what the municipality quite evidently fear was

that so soon as competition from other than Canadian ships was removed, competition amongst Canadians would become fairly formal. They went as far as to say that fairly formal competition may in fact be monopolistic and unfair practices?

A. As far as the Fort William brief is concerned, Mr. Chairman, I would say they did not say that there actually would, but rather that there should be some protection of any possibility of there being. There is a distinction there, sir, if you get it.

COMMISSIONER WICKWIRE: What should that some protection against that possibility be?

A. The possibility of the protection being removed or some rate adjustments.

Q. Who is to determine the moment when it should be removed?

A. I would say that if a case came up, it would be presented to the Board of Transport Commissioners in the usual way and fought out there, and their decision would be binding.

MR. MUNDELL: That is all I have to ask, Mr. Chairman.

Q. Mr. Charnock, I take it the position of your Board or your Chamber of Commerce of the City of Fort William is that you are, more or less, put in a position that you have to suck and whistle at the same time in this matter?

A. Perhaps it would be nicer to say that we have to walk a tightrope.

Q. Your interest, naturally, is in work for the shipbuilding industry and for this yard in particular?

A. Yes.

Q. And the only way, you argue, that that can be done is that the industry be given some means of protection?

A. That is right.

Q. At the same time you are very much concerned about the development of the two cities, the future development of Port Arthur and Fort William in the general ship business?

A. That is right.

Q. Where rates would be a big factor?

A. Rates and the economical situation in the West. That is the purchasing ability which is somewhat controlled by your population, but also controlled by the purchasing power of that population.

Q. And where open competition would be a big factor?

A. Open competition would be a big factor, and I hazard a guess that you will meet that very strongly in your submissions from the West.

Q. Thank you.

A. Because we have two angles to consider, as you have said.

THE CHAIRMAN: Thank you very much, Mr. Charnock.

MR. MUNDELL: The next submission, Mr. Chairman, is the United Steelworkers of America. It is not a filed brief. I believe Mr. Hill proposes to read it in.

MR. HILL: That is right.

MR. MUNDELL: We do not need it marked as an exhibit.

MR. HILL: I am Mr. James C. Hill, United Steel Workers of America.

MR. MUNDELL: There is one further question in relation to the last witness.

MR. McDOUGALL: I would like to ask Mr. Charnock, that last Exhibit, was it Exhibit 43?

MR. CHARNOCK: The one I read in?

MR. McDOUGALL: Yes. You are not filing that? That is just the Fort William Chamber of Commerce?

MR. CHARNOCK: Yes, that is all.

MR. McDOUGALL: I just wanted it understood that it is not coming from the Port Arthur Chamber of Commerce.

MR. CHARNOCK: I will tell you why it did not come from Port Arthur, because the Port Arthur Chamber -- at least, the Port Arthur sanctioned the Collingwood brief without going into any of those questions and by doing that, of course, they removed it from the joint submission. Is that clear?

MR. McDOUGALL: That is fine, thank you

MR. MUNDELL: Q. You have given your full

name to the Reporters? A. James C. Hill, staff rep-representative of the United Steelworkers of America.

Mr. Chairman and Members of the Commission:

Members of Local 5055, United Steelworkers of American, affiliated with the Canadian Congress of Labour, employees of the Port Arthur Shipbuilding Company Ltd., have a real interest in the matters before you.

Our interest stems from the decline in employment in the shipbuilding, Ship repair and related industries at the Lakehead, the placing of orders outside of Canada for new shipping, and the probable serious competition to our industry by foreign built ships plying the lakes upon completion of the St. Lawrence Seaway.

Certain facts are indisputable.

Employment in the shipbuilding and ship repairing industry has fallen sharply in the last two years. At March 1, 1953, the number of wage earners in the industry, as recorded in the D.B.S. Man-Hours and Hourly Earnings, was 23,569; at March 1, 1954, it was 22,910; at March 1, 1955, it was only 17,833. This is a drop of nearly 6,000 in two years, a drop of over 24 per cent.

It may be of interest to note the Midland Shipbuilding yard where this Union was granted the bargaining tights, has been closed down for a period far in excess of one year, and of our 206 members in the Port Arthur yard about 70 are employed in ship repair, or approximately 35 per cent.

The employment index for the industry over the same two-year period has dropped from 175.6 to 140.4, a fall of almost exactly 20 per cent (D.B.S. Employment and Payrolls).

Canadian shipyards are at a disadvantage in competing with those of some other important shipbuilding countries, notably the United Kingdom, where at present two botas are being built designed for service either in coastal trade or on the Great Lakes by a Lakehead firm, the Patterson Steamship Line. This industry in the United Kingdom is long established and has built up a vast body of experience and skill, and where wages are much lower than in Canadian yards.

In Canada in 1954, according to the Dominion Department of Labour, the average rate for such classifications as blacksmiths, engine fitters, machinists, pattern makes, plate fitters and welders, ranged from $1.61 to $1.67 per hour. In the United Kingdom, in 1954, for a forty-four hour week skilled personnel earned about 46.8 cents per hour. Pieceworkers appear to have got a further 20 per cent of earnings or about 74.4 cents per hour. (U. K. figures from Ministry of Labour Gazette, May 1954, p. 171, and Cmd. 9085 of 1954, Report of a Court of Inquiry into a Dispute between employers who are members of Trade Unions affiliated to the Confederation of Shipbuilding and Engineering Unions.) For skilled workers, the U. K. rate in

1954 was a trifle under 40 cents per hour. The average rate for labourers in Canadian yards in 1954 was $1.26. For repair work, the U. K. rates were generally 42 cents above the rates quoted above, but this obviously is too small to make any appreciable difference in pcomparisons.

We need hardly add that the difference in wages does not necessarily mean an equal difference in labour costs. Higher productivity per man-hour in Canada could be an off-setting factor, perhaps very large. Productivity is notoriously hard to measure, and as far as we know, adequate data for measuring it in Canadian shipyards do not exist. But it seems probably that, even allowing for the productivity factor labour costs in Canadian Shipyards are higher than in British.

This is important, because labour costs are a larger factor in this industry than in most others. For example, in 1953, wages were 34.6 per cent of the gross value of production for the Canadian shipbuilding industry (and it may be added that in 1947, 1948, 1950 and 1951 the percentage was even higher, and in 1949 and 1952 only a little lower), compared with only 6.6 per cent in meat packing, 3.8 in flour milling, 17.5 in rubber products, 15.8 in pulp and paper, 21.9 in agricultural implements, 12.2 in motor vehicles, 20.8 in motor parts and accessories, 23.9 in primary iron and steel, 31.5 in railway and rolling stock and equipment, 19.3 in electrical

apparatus 35.9, chemicals 21.9 and so forth.

It may be argued before you that the higher labour costs in Canadian shipyards, compared with British, exist because Canadian shipyard workers have been pricing themselves out of the market in comparison with British shipyard workers.

There seems little doubt that Canadian shipyard wages have gone up more than British since the war, thoughthe increase for Canadian skilled workers is probably not much bigger than British pieceworkers, and the gap is probably narrowing. In the absence of data on productivity changes, however, the available figures certainly do not constitute proof that Canadian shipyard labour is "pricing itself out of the market". Besides, it must not be over-looked that neither shipyard workers nor shipyard employers are free agents in this matter. Shipyard labour must be paid something like the going rate for similar work in other industries, or it will leave and go to the other industries. We have no evidence that shipyard workers are getting more than the going rates for classifications elsewhere.

So any suggestion that the problems of the Canadian shipbuilding industry can be solved by wage cuts is impracticable and in error.

The Canadian shipbuilding industry, then, is declining. It has difficulty competing with the British industry. Wage cuts are not only socially undesirable, but economically impossible.

What can be done?

It is possible that the efficiency of management could be improved, but we doubt if any improvements which are possible could make more than a very limited contribution to the solution of the industry's problem. It is also possible that further investment in new equipment might help. But, again, we doubt if even considerable new investment could do much to solve the problem; and as long as the industry is declining, and its future dubious or worse, new capital will not be forthcoming except at a very high cost. It is possible also that some may argue that labour in the industry could put forth more effort; but we do not think that any responsible people acquainted with the industry will contend that Canadian shipyard labour is lazy or incompetent (it may be of interest to note that construction records were set in the Port Arthur yards during the years 1950 to 1954 inclusive), or that any appreciable reductions in costs could be secured even if every worker exerted himself to the very limit of his powers.

Overhead and profits in 1950 constituted only 23.6 per cent of the net value of production in this industry. In 1953, they were 37.0 per cent, and we should be greatly surprised if the 1954 percentage were not even higher. The bulk of this undoubtably overhead: fixed costs of one sort or another (rent, interest, depreciation,

insurance); and the reason the percentage has increased so formidably is that these fixed costs have to be spread over a smaller and smaller total production. The shipyard facilities are not being fully used, or anything like it. But a large part of their costs remains just as high as if they were going full blast.

We submit, therefore, that the only way to achieve any important reduction in cost of building ships in Canada is to give the yards more work to do, and so enable them to spread their fixed costs over a larger production.

This is worth doing and can be done. A favourable Government policy concerning coastal shipping can make a considerable contribution towards achieving this.

Even if our yards were working atfull capacity and maximum efficiency, it might well be that Britain could produce ships cheaper making shipbuilding an uneconomic use of Canadian resources.

If we could count on perpetual peace, this argument would have considerable force, to say the least. But we can't count on perpetual peace; and therefore, would it not prove economically sound in the final analysis to have our own shipping and shipbuilding facilities should there be another war? The need for this was clearly illustrated to us in the war of 1939 - 1945.

We all hope there will never be another

war. But there easily may be. If there is, British shipyards will probably be put out of action at a very early stage, and a good deal of British shipping will be promptly sunk. We shall need, as we did the last time, to build ships in Canada, and build a lot of them, and build them fast. If we have allowed our shipyards to go to rack and ruin, and our skilled shipyard labour to be dispersed, and if we have done nothing to train new skilled shipyard workers to take the places of those who die or get too old to work, then we shall face the emergency unprepared. If, on the other hand, we keep our shipyards and their labour force in being, and keep training replacements for those who die, leave or retire, we shall be in a condition to cope promptly and effectively with any emergency. Keeping our shipyards in a state of preparedness will cost us something; but maintaining a Canadian shipbuilding industry is an essential part of our defence against aggression.

This is already recognized to some extent. The Navy gives our yards a certain amount of work. But this is not enough. We are paying little to maintain this industry so vital to our national defence. Naval orders alone will not maintain a shipbuilding industry of the size we must have.

Should war become imminent, production facilities located at the Lakehead are vital to an all-out war effort and defence programme. Being so far from either coast and also the

Northern approaches, production facilities are relatively immune from attack. Our radar warning system greatly increase this protection.

The principle of accepting extra costs for the sake of defence or other great national purposes is not by any means new in Canada. The list of industries we have subsidized, directly or indirectly, for such purposes is a very long one. Other industries have been subsidized, directly or by tariff protection, to the tune of hundreds upon hundreds of millions of dollars. We see no reason why the shipping and shipbuilding industries should be treated differently, if there is good reason for subsidizing them, as we submit there is. But should the Government subsidize shipping companies, subsidies should be limited to those who build and repair their ships in Canadian yards.

If we are willing to pay the price we can give our shipyards more work; and since what we are buying is of great importance to the country as a whole, we do not think the price is high.

Even the most sweeping revision of coastal shipping policy, even the reservation of our whole coastal trade to Canadian built ships, would not alone solve all the shipbuilding industry's problems. But a change in that policy would certainly do something to help, and we think there is a strong case for a change. We believe Canadian coastal shipping should be reserved for Canadian ships, Canadian built. We think this

is a very moderate measure of help to the Canadian shipping and shipbuilding industries, and one of which no country could legitimately complain, especially since most of them either follow substantially the same policy themselves; or provide handsome subsidies, in one form or another, to their shipping or shipbuilding industries or both; or even reserve their coastal trade for themselves and subsidize their shipping and shipbuilding industries generally.

The value of such policy to the Canadian shipping and shipbuilding industries is likely to increase steadily after the completion of the St. Lawrence Seaway, since traffic in the St. Lawrence-Great Lakes system is certain to expand markedly. This makes it particularly opportune to inaugurate a new policy now. If shipowners and shipbuilders of other countries once get a stranglehold on the expanded trade of the Seaway, it will be very difficult to dislodge them, and even if they are dislodged, it will involve immeasurably more dislocations to their trade and ours if we act now.

We submit also that the help which such a change in coastal shipping policy would give to the shipyards is the more urgent because of the building of the Seaway.

Parliament has just enacted provisions for an additional duty on imports of goods, of a class or kind made in Canada, which are subsidized

by the Government of the country which produces them. We think this is sound policy. We think the same principle should be extended to the shipping of the coastal trade and the St. Lawrence-Great Lakes waterways.

MR. MUNDELL: Q. I wonder if I could ask two questions to possibly clarify your submission?

Firstly, how many members are there of Local 5055?

A. 206 at our last record.

Q. Are they all employed at the Port Arthur Shipbuilding Company?

A. They are all employed by the Port Arthur Shipbuilding Company. I might add we do not represent all of the employees of the Port Arthur Shipbuilding Company. There are some that are represented by the American Federation of Labour trade unions.

Q. Of those that you represent, what percentage are they of the total payroll?

A. I would say about 66 or 70 per cent. I haven't any figures to substantiate what I say. Possibly Mr. McDougall may be able to add to that.

Q. I think if your percentage is out either way it would not matter as to the general position. Of those employees that are represented by your Union employed at the Part Arthur Shipbuilding Company, how many are there employed in shipbuilding and ship repairing?

A. In our brief we state approximately there are 35 per cent employed in ship repair.

Q. Approximately 35 per cent?

A. 35 per cent.

Q. By ship repair, do you mean all work in relation to ships?

A. That is right.

Q. So that 70 per cent are employed in other industrial work?

A. That is right.

Q. You do not have any seamen as members of your Union?

A. No, not in Canada.

Q. Then you mentioned two ships in the 6th and 7th paragraphs of the first page of your submission. Two ships being built by Paterson Steamship Lines. What type of ships are these?

A. They are to our knowledge designed either for use in the coastal trade or on the Great Lakes. I would assume that they are bulk and package carriers, but our information is not too accurate on that. Mr. McDougall might know.

Q. In your figures in relation to percentage in wages on the gross value of production do these figures take into account -- are they direct costs in the shipyard or do they take into account wages and the volumes of materials, or do you know?

A. No. They are based on the actual

gross value of production of the yard and I suppose it would be difficult to have statistics to separate all the industrial work. It is just taken as an overall figure.

Q. I do not think that is the question I was asking you, but that is an interesting answer. What are these wage costs based on?

A. The production of Canadian yards.

Q. This includes industrial production?

A. Well, this covers all yards. We are not applying this to the Port Arthur yard.

Q. I will repeat that then. The question I was asking was, are the wage percentages shown here just the wages paid in the yard in relation to the production of the yard, or do they include the wage element and the cost of all material?

A. Would you repeat that question again?

Q. These percentages that you have of wages in relation to total production or value of production, are these just the wages paid in the yard in relation to value of production, or do they include the wage element with the cost of all materials?

A. For instance, do I understand your question; are you asking, do the figures include the cost of producing the material that goes into the construction of a ship?

Q. Yes.

A. No; those are the wages paid by the

yard for the production of their products.

Q. I would like to ask you, you said,

"Even if our yards were working a "full capacity and maximum efficiency, it "might well be that Britain could produce "ships cheaper making shipbuilding "an uneconomic use of Canadian resources."

Do I understand by that, if we can have a perpetual peace, the production of ships in Canada would be an uneconomical use of Canadian resources?

A. I think it is an accepted fact the cost of producing a ship in Great Britain is less than what it costs in Canada and one of the important items in the construction of a ship is the cost of labour. We have illustrated to some degree or attempted---

Q. I am really asking you whether or not you are prepared to admit whether it would be an uneconomical use of Canadian resources if there was perpetual peace and no defence problem?

A. I do not want to get myself technical up here and find that I cannot answer your question.

THE CHAIRMAN: I suggest that you have answered the question. I suggest there can be no other meaning to your statement.

A. That is true, but I thought there was something missing. We may be able to contribute something which would be useful.

MR. MUNDELL: Q. I really just wanted to know when you went along with this statement and on the basis of this statement you have put forward are you advocating the protection of Canada's -- more than just shipbuilding; you advocate protection of Canada's ship operating and, you put it strictly on the basis of defence?

A. That is true.

Q. And on the basis of defence do you go beyond shipbuilding to protecting the ship operators?

A. I think we did. Did we not include the restricting of coatal trade to the shipping companies in Canada both on the coasts and on the Great Lakes and the St. Lawrence waterways?

Q. I am sorry. I put my question very badly. What I was trying to say is this: Do you put your argument for protection strictly on the basis of defence for the shipbuilding facilities, and so on?

A. That is true.

Q. Would it not be sufficient to say subsidize shipbuilding, not protect the ship operators?

A. We do propose that there should be a subsidy used to provide for continued industry.

Q. Could I put it this way; this suggestion has been put forward for a construction subsidy. Supposing that subsidy was paid by the Canadian Government to any person who wants

to build ships of the difference between building it in Canada and building it abroad, so the cost would be the same; would not that be sufficient?

A. No. We are particularly concerned with maintaining the ship construction and ship repair industry in Canada because if you have ships -- maybe I fail to understand your question.

Q. I am saying a man who is going to build ships will build in Canada?

A. That is what we are interested in.

Q. Would that be all you are interested in?

A. Again, perhaps I do not understand your question. We are concerned with having Canadian shipping services both on the coast and on the Great Lakes.

Q. Why is that necessary for defence?

A. I think that was clearly illustrated in the last war. We did not have sufficient ships for the movement of goods and we had to build them. If we have sufficient to begin with, at least to supply a portion of our needs at the beginning of an emergency then we would be in a much better position to carry out our repsonsibility.

Q. You say there would be no ships built unless they were protected when they are operating in effect, is that so?

A. Well, the number of ships that are under Canadian register are declining because of the cost factor mainly.

Q. The cost factor and the operation?

A. Yes.

Q. I am just trying to get it clearly.

A. I hope I am being of some value in answering these questions.

Q. You do not think if I may go back again that a subsidy purely of a subsidy on the construction of ships would meet with your approval?

A. No, I think there has to be restriction of trade to Canadian ships both on the coast and on the Great Lakes and St. Lawrence and the inclusion of a subsidy.

Q. You want a subsidy and restriction?

A. Yes. I imagine if you were to argue the question fully right from the very beginning it would take a great deal of time as it probably has taken as much time as this Commission is spending in trying to find an answer to the problem now.

COMMISSIONER BELANGER: Q. Your subsidy would apply to a deep-sea ship?

A. All Canadian shipping, construction and repairs.

Q. Would your subsidy apply to a coastal shipping yard too?

A. Yes.

Q. Coastal shipping as well as deep-sea shipping?

A. Well, we have not concerned ourselves with the question of deep-sea vessels

to any great degree. We have confined ourselves to the coast but primarily the Great Lakes and the St. Lawrence Seaway.

Q. If you would protect a coastal ship I do not see how you would need a subsidy there. I might see a subsidy for the deep-sea ships but not the coastal ship if you protect it.

A. Well then, you asked me that question and I would like to ask you one. Would restricting shipping to Canadian vessels on the coast and the Great Lakes be sufficient to maintain the yards in a state of preparedness or being suitable to our needs in time of emergency, and we submit that it would not be.

THE CHAIRMAN: Q. Where is there any request for subsidy in your brief?

MR. MUNDELL: Q. There is a paragraph at the bottom of page 4 and top of page 5, and the sentence before.

COMMISSIONER BELANGER: Q. If you are not concerned with the deep sea ship, I do not see how a subsidy would help a shipyard if we restrict coastal shipping?

A. If we restrict coastal shipping to Canadian vessels.

Q. You want to restrict coastal shipping to Canadian vessels?

A. Yes.

Q. You say that would help the shipyards?

A. Yes.

Q. Besides that, if I understand you, you want a subsidy?

A. That is true.

Q. You are not concerned with deep-sea shipping?

A. I would say that we have considered these circumstances more in the light of the situation facing coastal shipping and especially on the Great Lakes; primarily, the Great Lakes because that is where we live and work; and I think one or two persons may find it difficult to consider all the features in this question as I believe the Commission is having difficulty considering all the questions.

MR. MUNDELL: Q. Mr. Belanger is saying that if you restricted all the shipping in the Great Lakes to Canadian bottoms, that is built and registered in Canada, then any ship that is engaged in the Canadian coasting trade on the Great Lakes will have to be a Canadian built ship?

A. That is right.

Q. Why a subsidy?

A. Because I doubt very much there will be sufficient business to maintain the yards in a state of say size which is appropriate.

Q. You are advocating a subsidy even though there is nothing to produce?

A. No, I think shipping -- This is a question which would require someone of considerable knowledge to perhaps answer

adequately and I do not think I am probably suited to do it. If you wish to give me your question in writing I would endeavour to have the question properly answered and submit it to the Commission in writing.

Q. In any event, your position is that you advocate full protection, speaking of the Great Lakes, and a subsidy?

A. That is right.

COMMISSIONER BELANGER: I still do not see the reason for a subsidy.

THE CHAIRMAN: I think we can start on defence industries.

A. Yes, sir.

Q. Do you mean to say that you seriously believe that even if the coasting shipping was allowed no competition from other than Canadian bottoms that it would not be sufficient to give work to the shipbuilding industry in the Great Lakes?

A. That is true.

Q. It is very difficult to conceive that any proposition so uneconomical should be urged on the Canadian Government?

A. In other words, it would be advisable to close down the yards?

Q. The yards are of the opinion that they can get along if they do not have a subsidy.

A. At the expense of whom? We are not suggesting that the subsidy be thrown in the

barrel in any old fashion at all. There must be proper application.

Q. The proper application that you suggest is to give to the Canadian shipyards an absolute closed market without competition from outside and then even with a subsidy they could not meet that market?

A. Might I respectfully suggest that there are industries in this county which have been and will probably continue to operate under the same sort of arrangement.

Q. If there are, I think it is an unsound argument that one should repeat that error?

A. No, I agree that two wrongs do not make a right. This industry exists under circumstances that are pretty difficult and it is quite evident that they are continuing under the circumstances.

Q. Let us take that sentence. How does this industry exist under circumstances which are pretty difficult when you contemplate the completion of the seaway and contemplate protection for the industry that you advocate?

A. Well, as yet we have not received any assurance from the Government of Canada that the shipping on the Great Lakes or elsewhere is going to be restricted to Canadian vessels.

Q. Let us presume it will for the purpose of my question. You erect a fence around it in the fashion which you propose, then how is

there any great difficulty in this industry. There are advantages available where 750 million dollars will be spent and therefore, being subsidized to that extent. They have the cheapest form of transportation. Why cannot, with those advantages, an industry succeed without having its costs paid off?

A. That is true enough, all others being barred, and there are several other factors, of course. I gather then what you suggest in presuming that having built a fence around this waterway that the ships that will be plying this waterway will be built in Canadian yards. Are you suggesting that?

Q. No, you are suggesting that. We must make our suggestions and recommendations after hearing all the evidence. If this recommendation is made by this Commission and adopted by the Government, then how can you say that the industry is labouring under difficulties, as you put it? I would say they are labouring under as little difficulties as any industry when it has its competition prohibited. When this means of travel is open, 750 million dollars will have been spent by the two governments.

A. Are you referring to the shipping or the ship construction?

Q. If there is shipping there has to be ship construction and your proposal is that the shipping be limited to those of Canadian construction?

A. That is right. There are at present existing in Canada large numbers of vessels on the Great Lakes that were not built in Canada.

Q. Those ships -- as proposed, at any rate, that if a ship is now owned and operated in the Canadian coasting trade -- I take it, would thereafter be excluded? That would be the effect as to not having been Canadian built?

A. We take the view in explaining the question that these people who own vessels under Canadian registry who build in foreign countries at the time of the placing of restrictions on traffic on the Great Lakes we would believe a subsidy for those vessels of a certain to be replaced. We heard yesterday one was 53 years old and one was 52.

MR. MUNDELL: Q. Are you advocating the payment of a subsidy to build in Canada? Is that it?

A. Precisely. A subsidy should be paid, we think, to ship operators to replace vessels of a certain age. These are regulations which would have to be established by the Government.

THE CHAIRMAN: Q. You do not seriously advocate that, that ships of the United Kingdom or English construction which are now in use in the coasting trade should be excluded from there?

A. No, I am not suggesting that. May I just say one word very briefly on the vessel subsidy business? We are not advocating the

subsidy for the sake of getting a subsidy for industry. We feel that there is a need for subsidies to maintain the shipyards of Canada for time of defence.

Q. Purely on the ground of defence?

A. We are not concerned with -- We feel if circumstances were different that there would have to be a different approach to the question, but we are concerned with maintaining them primarily as a defence industry and it has a bearing, of course, on the number of ships that it will provide.

Q. May I say only this in reference to the defence industry argument, and I suggest that you mentioned it and it was mentioned by Mr. Charnock another very important and somewhat ignored advantage, its availability at times to move peak cargoes, which would be seriously contemplated with the whole conomy of the country, which is upwards, and not only for the purpose of supplying defence; so that defence is a matter not for the ship owners or ship operators but the ship users. Should not defence be taken care of by taxation generally throughout the whole country bearing as heavily on the person who has never used a ship as on the person who uses them?

A. Wouldn't the payment of subsidies by a tax upon the people?

Q. Yes; the subsidy part of it but

your restriction part of it is another argument. That is not a tax on the people. It is in its essence an indirect charge because it comes back to all of us.

A. Then you come back to the cost of operation of your vessels, and we say in our brief that neither the shipbuilding industry nor the shippers are actually free agents in that matter.

Q. In the coasting trade if you have got it restricted, your operating costs are simply made up or reduced because you have no competitors?

A. If there is more than one firm operating then they will compete for the business.

Q. On an equal footing?

A. Yes; but the circumstances facing each company will be the same except that one may be a more efficient manager than the other.

Q. Surely no one would suggest that we penalize efficiency?

A. No, I am not suggesting that at all.

Q. The point I am making in this case is that you close up the coasting trade for only Canadian operation, and if you are doing that solely as a matter of defence, then are you not making the ship users pay the cost of defence rather than make every Canadian citizen pay the cost of defence?

A. Of course, that comes back to costs

where I would suggest that if you do not close it up, then it means that the people who are working the ships will be made to bear the cost of maintaining the some degree the shipping industry.

MR. MUNDELL: Q. Why do you say that?

A. If you are not going to protect your coastal inland shipping -- restricted to Canadian vessels then they will have to compete against vessels that are paying lowere wages and it is quite evident that eventually the number of people who remain as Canadian seamen will be reduced.

Q. You are saying, that that industry would go to the wall?

A. Yes.

Q. But you have already suggested in your brief that is an uneconomical---

A. Shipbuilding and ship repair.

Q. ---use of Canadian resources. The point is if we are going to maintain it for defence purposes, although uneconomical, is it not proper to have the cost come out of the taxpayers' pockets rather than put it on, for example, the Western farmers who have a limited price for their wheat and if the costs of transportation are higher that comes out of the farmers and not out of the purchaser?

A. I am beginning to get a glimmer of what has been suggested, but I am still of the opinion what we propose in our brief is our line

of reasoning. However, I understand now that the Chairman is suggesting that not only will the people in the West be paing taxes to subsidize this industry, but will be paying more in shipping costs.

Q. Or getting something less for their wheat?

A. Or getting something less for their wheat. This is a difficult question for me to answer and I would prefer to avoid it, if I may.

Q. I think you have been doing very well so far.

A. Maybe I should get out of the game now. I find it pretty difficult to envision all the factors affecting the situation, and when you put a question to me like that, I find it difficult to answer, but if there are some particular questions---

Q. If you take your plea for restriction, there are in Newfoundland, we were told, a number of industries that are operating at a margin. They are getting by now because they can get U. K. shipping. They say if you restrict the Canadian coasting trade to Canadian bottoms this industry and everybody in it will be out of work tomorrow. Now, on the one hand you or your Union make representations to save the shipyards and on the other thand these industries are saying "If you do that we will go to the wall".

You put it strictly on the basis of

defence. Would it not be better to cut costs by subsidy but then having protection for the people that will go to the wall rather than---

A. Are you suggesting that the people in Newfoundland would go to the wall?

THE CHAIRMAN: Q. They do not suggest it; they came right out and said it.

A. I have no means of establishing for myself, or the other people I am associated with have not had the opportunity to examine these figures to decide whether it is a correct statement.

Q. What is your position, assuming it is correct?

A. I think there is something wrong some place if business is so closely operated with such a narrow profit.

MR. MUNDELL: Q. What about the shipbuilding industry?

A. That is true.

Q. What about other industries?

A. What other industries are there?

Q. Gypsum, cement, fluorspar.

A. What are the wages in the industry?

Q. I am afraid I cannot answer that.

A. If they are anything like the wages that are paid out in the East like I mean 65 cents an hour, and soon there must be something drastically wrong with the industry, either inefficiency of management or inefficiency of

plant.

Q. Or just the cost of transportation being a long way from the market.

A. Well, we ship a good many things from a good many countries. We bring iron and steel from Great Britain to Canada.

Q. You would rather save the shipyards than the fluorspar industry because you represent the shipyards?

A. That is right.

Q. But you must recognize there is a conflicting interest?

A. Yes, I realize other people have difficulties.

Q. That would include the Western farmers, that would include the importer living at the far end of the transportation line and the on top of that the representations made by the railways, not only there should be no protection, but the shipping industry should be charged tolls for the use of all the canals because they allege this group are being preferred over the railway which in turn affects the railway?

THE CHAIRMAN: The toll should be amortized to cover the improvements which are still not in use.

MR. MUNDELL: Q. Just one final matter. You have put your argument solely on the basis of defence. Have you anything to say in relation to the suggestion made by the Canadian Maritime

Commission that a shipbuilding industry of approximately 7,000 or 8,000 would be adequate as a nucleus for defence purposes?

A. That is something, again, which I would find very difficult to answer. I believe during the war the number was three times that, and I think in our brief we used the same figure.

THE CHAIRMAN: Three times? It was ten times.

COMMISSIONER WICKWIRE: Q. You do not suggest that they maintain a number ten times their present number?

A. No, I am not suggesting that. For example, the number of people employed in the Port Arthur Shipbuilding yard was greatly reduced at the beginning of the last war and then with the up-surge and demand for defence production, the number of employees increased vastly almost overnight and the people that operated the yard were left with a small group of men to direct the efforts of a large number of people who were not familiar with the shipbuilding industry, making it a very difficult problem not only for the people who operated the yard but people who were called upon to act as supervisors and so on.

Q. I understand the shipyards here did a remarkable job during the war?

A. Well, I think so.

Q. Why do you not think they could do it

again, if necessary?

A. It is quite possible that it could be done again, but is it advisable to work under such difficulties which would probably increase the costs vastly.

Q. I will admit for the sake of your argument that there is a minimum below which it should not go but what is that minimum?

Q. Would it be a fair thing to assume, has there been a change in the skills required, or greater skill? More skilled workers are required not to build modern ships?

A. Off hand, I would say in the main skills required would amount to the same except what would probably be required -- electronics require more skilled people. That is, the number of devices used now in detection and so on have increased. Shall I answer this question here?

Q. We have gone into general discussion here. I was going to ask if there was anything further you wished to add?

A. No, I haven't, Mr. Mundell.

THE CHAIRMAN: We will have a ten-minute recess.

---The hearing adjourned at 11:50 a.m.

---The hearing resumed at 12:00 noon.

THE CHAIRMAN: Q. Mr. Hill, in your brief you mention the skills of the United Kingdom shipbuilders. I presume that would by employer

and the labour interests required making them more efficient. Surely, in connection with this Great Lakes' trade we are concerned not only with the general skills of shipbuilding but a particular job. That is the skill of building an efficient ship for operating on these waters in the bulk trade?

A. Well, I agree if in building a particular type of vessel such as a Great Lakes ship there would be experience gained in that particular type and its design.

Q. Do you not agree that throughout the Great Lakes, the yards, and particularly the yard in this city, they have developed a very high degree of skill and efficiency in building that particular ship?

A. That is true, Mr. Chairman. It might be interesting to note that it has been necessary over the past years to bring from the Old Country skilled shipyard labour to augment or build up our forces here for the construction of vessels.

Q. For these lakers? That is a matter of the general shipping fleet, but the actual work on the laker is, perhaps, more a function of the employment of technical staff than of labour in the plant. Is it not true that Canadian ships have been produced in Canadian yards which have proved more fficient than any competition from outside in the Great Lakes trade?

A. Do I understand you correctly, Mr.

Chairman, you suggest that I say that ships built in Canadian yards for Canadian lake service have proven more efficient than other vessels built for Canadian service on the Lakes by overseas' yards -- have proven more efficient?

Q. Yes. You are pointing out in your brief in one place -- I don't just spot it, but it is there -- that British interests are very good shipbuilders, that they have many skills and techniques?

A. That is true.

Q. I say to you that as far asthe typical big lake boat, the upper lake boat, is concerned, that the Canadian yards have an enormous and rather unequalled efficiency in creating them?

A. I would like to think that we are the only people in the world who can build ships for the Great Lakes service, certainly if people who compete against us for the construction of ships for the Great Lakes service are able to continue in the competition sufficiently long enough then they will be equally skilled.

Q. Of course, there is another technical matter with which I am not going to deal with you as to the natural forces of wind and water as distinct from any regulation. That is a matter upon which I understand we will have opinion on from other witnesses

but to turn to competition between United Kingdom yards and Canadian yards, that is a matter of techniques, skills and wages, is that so?

A. Yes, that is what I would say.

Q. Well, "wages" surely that is a very loose term for a lot of things, is it not? You will agree that what the English worker enjoys through the course of a year is what is paid to him or how he is able to use it in England and what he keeps in addition to what is paid to him; that is of real interest to him?

A. That is true. It is what he can buy.

Q. So he gets so much for wages and he goes to the store. He pays for a certain vegetable product, for milk or for beef or for something a certain amount, which is a smaller amount than he would have to pay for the same things in Port Arthur or Montreal?

A. That is right.

Q. And then he is provided by the State with many services which are beyond what is provided by the State in Canada?

A. That is right.

Q. And all those things are what he counts on to see how he is getting along?

A. Yes, that is how they measure the standard of living.

Q. The Canadian worker gets a larger amount of dollars and cents. He has a smaller amount of provided services, and pays more

for what he buys?

A. That is right.

Q. The United Kingdom shipbuilder has more dollars left for himself because he pays less in wages. Do you follow me?

A. No, not quite.

Q. He pays less in wages.

A. You mean the overseas shipper?

Q. Yes; he has more left to himself than the Canadian, but does he not pay out more in taxes than the Canadian does?

A. I cannot tell you that.

Q. I suggest to you that it is a recognized situation that the English income tax is probably the highest in the world. The economy is considerably different but perhaps that difference is not as great as imagined. That is, the English shipbuilder pays smaller wages and pays more taxes, and more taxes go to social benefits for the worker who gets less wages?

A. That seems a rather difficult question for me to consider.

Q. That is real competition?

A. You are suggesting to me that is, and I would like to consider the problem in that light. I believe that there are many factors affecting competition that would exist between British and Canadian yards, and it will probably include these points which you have brought out, but weighing one against the other is something

that is not just----

Q. It is adding one to the other. The English wage earner has experience in labour organization which certainly is far older and far more intensive than the Canadian?

A. That is right.

Q. And I suggest to you he is a pretty wide awake character and he would not stay in a wage position which was a number of dollars lower if that was his true enjoyment of all benefits?

A. We are not suggesting, Mr. Chairman, that because we measure his wages in dollars and cents per hour his living is adequately represented by that. No, we are not suggesting that.

Q. You have got to add to it again. The money to pay for these things does not comeoff a tree. It must come from his employer?

A. Well---

Q. And from his prices?

A. From the employee.

Q. Yes, but most employees are not in the large income groups. It is the company that is paying the big share for security.

A. I would like very much to argue with you on that question, but I am not properly armed with the information to do an adequate job, but I might suggest there, as I have previously suggested, that there are other factors involved in this matter.

Q. These are factors which have not been mentioned by anybody today until I made them. What I am trying to do is find out your views that when an English ship is built and a Canadian ship is built, how can we compare the true cost of the English shipbuilder on one side to the Canadian shipbuilder on the other unless we look at the whole picture including the elements which I have mentioned?

A. Well, the cost of a ship is not confined to how much they pay out in wages or how much the company that buils the ship pays out in taxes. The question does not end there.

Q. What else is there?

A. All these thingsthat go into the construction of the ship, all the material, all labour costs involved in the producing of materials that go into the construction of the ship and when you add those all together---. There is another thing that you can consider, the temperament of the people who live in Great Britain and the temperament of the people who live in Canada. I am not suggesting that their approach to their work may be different. But there are so many factors involved in this that I find it difficult to give a useful answer.

Q. I concede that there probably would be an increased advantage for the Canadian ship owner who purchases in the British market and yet was only subject to the Canadian level

of taxation. He would have a considerable advantage over the British ship owner who had to purchase on the British market, and who gets a ship at about one-third of the price but was subject to the British level of taxation.

A. Of course, Mr. Chairman, I have no way of measuring what the taxes would be between the British owner and the Canadian owner. What you say may be true. That might result -- If that is the average price of ships in Great Britain and elsewhere, there is no shipbuilding industry in Canada.

Q. I am attempting to weighthe effective nature of the British competition. One of the important factors is this real cost of wages plus taxes and plus other elements and another factor is a geographical one to which I referred and the third factor is whether any British shipping interests are going to leave its ships tied up in the Great Lakes when the Great Lakes are frozen over rather than in their historical function of tramping all over the world. Is that going to develop? It certainly is not here now as far as the Great Lakes are concerned, less than five per cent?

A. I find that the question that you are asking and the suggestions that you make and the sort of line of reasoning you take is very very interesting. The only thing is that I find it myself absolutely impossible to

answer all the questions.

THE CHAIRMAN: I can understand that. By putting these questions to you I illustrate the problems this Commission has.

MR. CHARNOCK: May I say that some of the answers to your questions may be found with the Canadian registration -- (rest of answer inaudible).

THE CHAIRMAN: That is only with regard to ocean-going ships. Many of the things to which I referred have no application to ocean-going ships or at any rate the application is much less important.

MR. CHARNOCK: Why I asked you that was I know it applies to ocean-going ships but would any of them follow through to the lake trade?

THE CHAIRMAN: The transfer of ocean-going ships that were built in Canada for deep-sea traffic and sold at a fraction of the cost by the Canadian Government to these operators was, I think, 71 or 87.

Q. You are the bargainingagent for the Midland Shipyards?

A. Yes.

Q. You are the bargaining agent in part, at any rate, for the Port Arthur yard?

A. Yes.

Q. Have you the same rates in effect?

A. We have no reates in effect. We were granted bargaining rights shortly before

the yard closed. We have not entered into an agreement with the company.

Q. Was it anything but a coincidence that the yard closed at the time you got the bargaining rights?

A. I would suggest that it just so happened, Mr. Chairman.

Q. I suggest it might well have happened that the operators felt they could not pay the wages you were asking?

A. Are you suggesting, sir, that these yards be kept open at the expense of the standard of living of the employees in those yards?

Q. No, I am referring to your submission:

"It may be argued before you that "the higher labour costs in Canadian "shipyards, compared with Britain, exist "because Canadian shipyard workers have "been pricing themselves out of the "market in comparison with British "shipyard workers."

I suggest that they may have been pricing themselves out of the market right here in Canada without considering the British shipyards?

A. It went on to refer you to what it costs Canadian people to purchase everyday needs of life and how much or how little it costs those in Great Britain to purchase everyday needs of life, and I think that in itself answers this question. In other words, it

is going to cost more for a person to continue to have a reasonable standard of living in this country.

Q. The word "reasonable" is it will for the people in Great Britain. I would suggest that reasonable is one that provided sufficient for your everyday needs, providing for your health and clothing and education. In Midland such a standard of living could not be reached?

A. Might I suggest that if the business had been available the Midland yard would have remained open. In other words, the yard is not profitable enough for its owners.

Q. It has got overhead running at the present time?

A. Yes.

Q. One of the worst areas of depression in Canada in shipbuilding, we are told, is an area which we have not yet seen, the British Columbia Coast, and there is probably more shipbuilding oing on on the St. Lawrence River than any place in Canada. The highest wages, according to the Dominion Bureau of Statistics, are on the British Columbia Coast and the lowest are on the St. Lawrence River.

A. That is right, they continue upward from the West Coast right to the East Coast.

COMMISSIONER WICKWIRE: The east coast is higher than the St. Lawrence River.

THE CHAIRMAN: Q. These are on the rates

quoted by both the shipbuilding interests and the Unions on the east coast of Canada. I think there is no action about these two---.

A. There is no relationship between no work on the B. C. coast and the high cost of wages.

Q. I think generally speaking the submission in brief 63, is that there is a very great relationship because ships are mobile. A ship may be built in the St. Lawrence River yards and taken to the Vancouver trade?

A. Yes.

Q. A ship may be built in the St. Lawrence River yards and taken with great ease to Halifax and St. John area and if the Seaway is deep enough a ship may be built in the St. Lawrence yards and come through to Port Arthur?

A. That is right.

Q. On the present situation without British competition, so far as the workers of this area are concerned, and the Midland area, it would seem that the wages being paid in the St. Lawrence area would make it very difficult for companies in other areas to get a fleet of ships from them?

A. In other words, you are suggesting on the basis of labour costs, the competition is going to be lessened between the shipyards in the St. Lawrence area and the Great Lakes

waterways?

Q. I say that in Canada the wage rates obtained by the Union, which you represent, has already resulted in the Union members themselves being unemployed in yards where the wage rate is high.

A. I am sorry, Mr. Chairman, I cannot accept that statement. We say in this brief we want -- we are not, neither is the employer, entitled to have full say in that matter.

Q. I know the employer might not but the employer would not have labour if he paid less than the current rates?

A. I would suggest that in many instances the rates that are being paid for the highest skill in this yard are less than that being paid in some other industries in this area even at the present time. If you were to reduce the specific earnings of these people, who are skilled people, and of value to the yard, they would then leave if they could find other employment, and I would suggest they would make a strong effort to do so.

Q. That is a repetition of the submission previously that this would seem to be an uneconomical use of labour?

A. That may be so depending upon the situation why we should maintain the yards.

COMMISSIONER WICKWIRE: Q. I just want to go over one point, Mr. Chairman. I just want to

make sure that you are sincerely interested in national defence and not maintaining and increasing a very high rate of wages, because I have some doubt when you said formerly that you would restrict the shipping in Canada to Canadian built and Canadian operated ships and you should also subsidize them. That to me casts a very grave doubt on your sincerity in saying that national defence was the main object.

A. I believe that we are interested in two things. We are interested in national defence and employment. I do not feel that we would be justified in coming to this Commission and proposing, as we have, to restrict the trade and subsidize, if we were not interested in national defence. I do not believe that we could come to this Commission and honestly request subsudy just for the purpose of maintaining employment or a high rate of pay.

COMMISSIONER WICKWIRE: Thank you.

MR. CHARNOCK: I would like to ask one question in a friendly way. I am quite convinced that some other industrial cost economist will ask in a way that is not so friendly, maybe, further West. It is this. A great deal has been said here in connection with costs. In other words, the debit end of it. Very little has been said in connection with the credit end of it. If foreign construction is ruled out then only

the competition between the Canadian yards will regulate the maximum price that these yards can charge, as I see it. Is that right? In other words, the yards could raise their sale price if they hadn't to worry about competition from the foreign yards. Now, I am asking that, as I say in a friendly way, because it is better to bring it out here than have someone ask it someplace else. May I ask that question?

THE CHAIRMAN: I was wondering whether Mr. Hill had any knowledge. Perhaps Mr. McDougall could have answered that question. I suggest to you that Mr. Hill has no information.

MR. HILL: I do not think I can answer it adequately. Is there anything further, Mr. Chairman?

THE CHAIRMAN: No. Thank you very much. You have been very helpful.

I understand Mayor Robinson has some statement to make.

MAYOR ROBINSON: Yes, Mr. Chairman.

Mr. Chairman, Members of the Commission, my name is Fred Robinson. I am the Mayor of the City of Port Arthur. I assure you that I am appearing before your Commission this morning only as a layman. I have very little knowledge of the shipbuilding industry, but I have lived in Port Arthur all my life, a little over fifty years, and I feel I know this area very well. I am going to confine my remarks to that field.

My first plea to your Commission, Mr. Chairman, would be to take into consideration the fact that we people along the north shore of Lake Superior are not comparable to the East in the two fields that are outstanding. One is that we naturally are more isolated from the East by distance and by undeveloped areas, and secondly, our economy is tied up with the welfare of the West.

As the West goes, we go, and these two factors make our position in Canada at the moment at least unique as compared with the East.

Having said that, I think it is vitally important, Mr. Chairman, that the shipyards on Lake Superior be maintained in a healthy condition because of the unique situation that we enjoy not only in peacetime but, for instance, in wartime. I think any of us can visualize the situation where shipping on Lake Superior or other portions of the Lake might be confined to that Lake for long periods. If there was serious damages, lacking facilities and so on, the economy of Canada might be vitally tied up. Maintenance of shipping that happens to be available on that Lake at that time or which might be constructed on that Lake. So, I feel our isolated position from the defence point of view should be taken into consideration. Our isolated position from an economic point of view should be considered, so my remarks

will be very brief, Mr. Chairman.

My plea would be -- I realize the obligation in front of the Commission that has to be resolved is far beyond my ability, but I would plead with the Commission to take into consideration the vital important to the welfare of all of Canada, that the shipyards on Lake Superior be maintained in a healthy condition. Looking at it from a peacetime point of view I think we would all agree that everything must be done to maintain a healthy condition for the shipyards that are located in this part of the country.

In order to do that, as I understand it, it is necessary that the ship yards be prepared or be in a position to carry out the construction of new ships. In other words, they cannot hope to maintain an adequate staff and a properly equipped yard if they must depend alone on repairs.

I am going to leave my plea with you on the hope that the Commission will keep that in front of them considering the geographical position of this area and the welfare of Canada that the health of our shipyards be maintained.

I thank you for the opportunity of making these few remarks.

MR. CHAIRMAN: Thank you, Mayor Robinson.

Are there any further submissions to be made?

MR. CHARNOCK: One rather interesting thing came up this morning. That is a proposal

by a man in Holland to ship in cement. There is a concrete suggestion of some traffic that might move if the rates were right.

THE CHAIRMAN: It would have to be a pretty good rate, Mr. Charnock.

MR. CHARNOCK: I say "concrete". I mean Portland cement.

THE CHAIRMAN: Newfoundlanders can't get it up and that is a far shorter haul.

COMMISSIONER WICKWIRE: At the moment there is a shortage of cement in the West.

MR. CHARNOCK: It just shows potential business that might move under certain conditions.

THE CHAIRMAN: Cement is, I think, in temporary short supply in many parts of Canada because we are using so much of it. I know that some of the larger plants in the Province of Ontario, one is the Des Joachims dam. That takes a considerable amount of cement out of the ordinary market.

If we have completed our representations, I think we will have to adjourn here.

We wish to thank the citizens and officials of the Head of the Lakes for their very real interest, of course, in our problems and for the very real assistance they have given us.

I am sure from time to time the witnesses have thought both the counsel and the Commissioners were of a very inquiring and somewhat stubborn

point of view. It is only by taking that attitude that we are able to get the whole of the truth, and that is what we are interested in.

Thank you very much.

---The hearing adjourned at 12:35 p.m.

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ROYAL COMMISSION ON COASTING TRADE

Report of Hearing held at Winnipeg, Manitoba, commencing at 10:30 a.m. August 24th, 1955.

PRESENT:

THE CHAIRMAN: The Honourable Mr. Justice W. F. Spence.

Mr. W. N. Wickwire, Q.C.) Commissioners
Mr. M. Belanger, C. A.)

Mr. D.W. Mundell, Q.C.) Commission Counsel
Mr. Paul Gerin-Lajoie)

Mr. H. Kemp - Economic Adviser to the Commission

---Mr. G. G. McLeod - Secretary

---Mr. P. Cimon - Assistant Secretary.

THE CHAIRMAN: The Commission is, of course, indebted to the Premier for supplying us with such desirable quarters to hold this sitting and I understand that Mr. Campbell wishes to address the Commission. It will be an honour to hear from him.

PREMIER CAMPBELL: Mr. Chairman, and Members of the Commission. His Worship Mayor Sharpe and I would like to -- before you enter into the more formal part of your hearing, express a brief word of welcome to your Commission, as you open your sittings in the Province of Manitoba and the City of Winnipeg.

It is a great pleasure for the Province of Manitoba to welcome you here, sir, and your distinguished colleagues. Being ourselves in the field of public service we appreciate the fact that a distinguished jurist from the great Province of Ontario, a distinguished legal gentleman from the fine old Province of Nova Scotia and a very distinguished Chartered Accountant from the historic Province of Quebec are giving of their time and talents to study this extremely important question of the coastal trade.

I think there is no Province of Canada which is more interested in freight rates and carrying charges generally than the Province of Manitoba; so our interest has been continued through the years in trying to present to various Boards and Commissions the position of this Province which frequently has to pay the carrying charges on a great volume of export and import commodities.

We do appreciate the fact that men of the character and capacity of your Commission have been chosen to sit upon this very important study. I think there are very few people in Canada that properly appreciate and perhaps comparatively few in the Province of Manitoba as well, Mr. Commissioner, the fact that Manitoba is a Maritime Province.

It is customary to speak of the Province from which Commissioner Wickwire comes and those down by the sea there as the Maritime Province, but this is a maritime province too. We have a

sea coast and during the course of the hearing today there will be a representative of an organization that is very active in promoting trade through one of our sea ports, Churchill, just emphasizing the fact of the interest that your Commission in general has for us but, of course, at the moment we realize that one of the major reasons for the appointment of this Commission is the proposed development of the St. Lawrence Seaway.

That is a vast project, we recognize and one we think is fraught with great potentialities for our Province and the other Western Provinces, no doubt, the Central and Maritime ones as well.

We think that the development of that project will have great implications. We know it is a major part of your study. We consider this whole question so important that some months ago the Province of Manitoba engaged the services of two outstanding economists and geographers, who are here this morning in the persons of Dr. Solomon and Dr. Mayer, who have been working with our own regular staffs, our Minister of Industry and Commerce, Mr. Turner, the Deputy, Mr. Gross, our Counsel, Mr. Sheppard and many others representing our university as well in the persons of Dr. Donaldson and Mr. Belanger.

It is not my purpose now to introduce the witnesses, those who will be giving evidence. I just want to mention we have tried to prepare

for your Commission something that we think will accurately reflect the views and we believe advance the interests of the Province of Manitoba. We commend them to your most favourable consideration.

I close these brief remarks on the note in which I began. That is, my purpose is simply to welcome your Commission to our Province and the Mayor will do the same thing for the City of Winnipeg.

It is very nice to have you here. We appreciate the fact that men of your talents are taking the time to study this great question. We hope we shall be able to put something of value before you. I would just call Mayor Sharpe.

THE CHAIRMAN: Thank you, Mr. Premier.

MR. SHARPE: Mr. Chairman, Members of the Royal Commission. It is my privilege this morning to welcome you here to the City of Winnipeg on behalf of the citizens. We in Winnipeg are vitally interested in the work that your Commission is doing. We are very interested in the recommendations which you will make. We will follow the course of your hearings with keen interest. I wish you every success in the work that you have undertaken.

I trust that those here today will be helpful to you in your inquiry. I welcome you and your Commission to the City. I regret your stay is going to be of such short duration.

THE CHAIRMAN: On behalf of my Fellow

Commissioners may I thank both the Premier and His Worship, the Mayor, for their welcome. I think both my Fellow Commissioners have some difficulty in identifying themselves with the descriptions which have been applied to us but we shall assure you that, without claiming any of the outstanding ability which has been described to us, we shall none the less give our very best efforts to this most serious problem.

You have noted that we are to be in Winnipeg on this occasion for only one day. We wish to assure you when the timetable was fixed and the appointments made across Canada there had only been two briefs filed from this Province and therefore one day was all which was properly to be set aside for the hearing in Winnipeg.

We felt, however, that there was a considerable chance there would be more work than indicated by the two briefs and others have been filed in the interim. When the briefs that have been filed earlier were first considered it was realized they were of considerable dimension and therefore we intend to return to Winnipeg on the 8th of September and have the 8th and if necessary the following day for a continuation of the Winnipeg hearing.

Therefore if you are not reached now and have not an opportunity to make your submission today be assured you will have the opportunity at that time.

I think I should also point out that it is unnecessary for counsel or representatives of any interest submitting briefs to read the brief. Be assured that all of the Commissioners and Counsel have read and re-read all briefs which have been filed. It is a needless waste of time to read the briefs here but what we seek from you now is an elaboration of the brief and any evidence which you wish to adduce in support of it.

Mr. Mundell, what is the first submission?

MR. MUNDELL: Mr. Chairman, there are five briefs filed now for hearing here. I thought that as I went through them at the time I got through them that those present and representing a particular interest could identify themselves and get it on the record. The first one is the Government of Manitoba.

MR. SHEPARD: Mr. Chairman, my name is Shepard. I am appearing as counsel for the Government of Manitoba.

MR. MUNDELL: The next is the Winnipeg Chamber of Commerce.

MR. McCORMICK: Mr. Chairman, my name is Evan McCormick. I am presenting a brief on behalf of the Winnipeg Chamber of Commerce.

MR. MUNDELL: The Inter-Provincial Farm Union.

MR. SCHULZ: I am J. Schulz and with me is Mr. Patterson, Jim Patterson.

MR. MUNDELL: Then the Manitoba Federation of Agriculture and Co-operation.

MR. MOFFAT: My name is Moffat, representing and appearing on behalf of the Manitoba Federation of Agriculture and co-operation. I will be offering to introduce myself in the capacity both as counsel or as witness so you can ask me some questions.

THE CHAIRMAN: The course, Mr. Moffat, has been to put the questions whether one be counsel or be witness.

MR. MUNDELL: The next one is the Hudson Bay Route Association.

MR. McNEIL: My name is K. McNeil. I represent the Hudson Bay Route Association in the brief that has been filed.

THE CHAIRMAN: Are there any other representations?

MR. MUNDELL: It was proposed, Mr. Chairman, subject to your direction, to commence with the representations on behalf of the Government of Manitoba.

THE CHAIRMAN: I think that is proper.

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SUBMISSIONS OF THE GOVERNMENT OF MANITOBA

---Mr. C. D. Shepard, counsel for the Government of Manitoba.

MR. SHEPARD: Mr. Chairman, and Members of the Commission; may it please you my role today before the Commission is really to introduce the two witnesses who will appear in support of the submissions which have been filed as No. B-77 in the bound volume. It is Volume 2 of the Commission Proceedings.

With your permission, Mr. Chairman, I would like to partly read into the record the qualifications of the two witnesses and then give to the Reporters a short statement of additional qualifications rather than take up the time of the Commission to read them all.

THE CHAIRMAN: Yes.

MR. SHEPARD: Following that again, subject to your direction, Mr. Chairman, I would ask Dr. Mayer to be the first witness who will make an explanatory or extending statement concerning the submissions that have already been filed, following which my suggestion would be that Dr. Solomon give a brief supplementary submission and both of these gentlemen will then be prepared to answer questions as they may occur.

THE CHAIRMAN: I think that is satisfactory, Mr. Shepard.

MR. SHEPARD: Dr. Harold M. Mayer is on the staff of the University of Chicago. He was

born in 1916, educated at New York University, Northwestern University, Washington University in St. Louis where he received his Master of Science degree in 1937. The Thesis topic was geography of the Port of St. Louis.

He received his Doctor of Philosophy in Geography in 1943 at the University of Chicago. His dissertation topic being "The Railway Pattern of Metropolitan Chicago".

His fields of specialization is urban and regional development and transportation. His experience is quite extensive as a Zoning Specialist in Chicago land use survey, a research planner for the Chicago Plan Commission, geographer, transport routes and ports section U. S. Office of Strategic Services.

Chief, Division of Planning Analysis, Philadelphia City Planning Commission. Lecturer in geography, the University of Pennsylvania as well as Northwestern University at other times.

A director of Research at Chicago. Assistant Professor of Geography at present and for some years past at the University of Chicago. He has had an extensive professional consulting practice including various organizations in the City of Chicago which I will have taken into the record.

He is a Member of the several professional societies including the American Institute of

Planners, the American Geographical Society and others which I would ask to be taken into the record.

He is the author of many articles in professional journals on many subjects including the St. Lawrence Seaway.

I think perhaps that is sufficient for a general introduction of Dr. Mayer.

Dr. Ezra Solomon was born on March 20th, 1920 in Rangoon, Burma. He received his Honours Degree in B.A. in economics at the University of Rangoon in 1940. His Ph.D. in finance at the University of Chicago in 1950.

He lectured at the University of Rangoon in 1940. He served as a lieutenant, Burma Division, Royal Naval Volunteer Reserve in 1942 to 1947.

Since that time he has been at the University of Chicago in various capacities including Research Assistant, Instructor, and in the School of Business, Assistant Professor in the School of Business which position he now holds. He is Editor of Journal of Business at the University of Chicago. He is the economic consultant to the United States Senate Banking and Currency Committee and for various industrial corporations and trade associations.

I have a list of his recent publications in the field of business economics. I do not think perhaps it is necessary for me to read them. They might be taken into the record.

With that introduction, Mr. Chairman and

Members of the Commission I would ask Dr. Harold Mayer to take the stand. I propose to allow him to simply make his statements without interruption from counsel and I would ask him to do so now, with the permission of the Commission.

THE CHAIRMAN: Yes, Dr. Mayer.

DR. MAYER: Mr. Chairman, and Members of the Commission. I think perhaps the best way to start on this submission would be a summation of the major points which I would like to make.

First, we believe that the benefits of the St. Lawrence Seaway should be spread as widely as possible throughout the national economy and should not be confined, largely or principally to either special interest groups or to regions of the country.

Secondly, we believe that this can be accomplished for the present by retaining the status quo with relation to this provision of the Canada Shipping Act which permits British vessels including non-Canadian vessels to participate in the coasting trade of Canada.

Thirdly, we believe that the Great Lakes' trade both coastal and international should not be subject to any regulation different than those of other national waters. This includes, of course, international trade between Canada and the United States as well as intra-Lake coasting trade.

Fourthly, we believe there should be an

investigation of the situation which now exists with relation to the Lake Head ports particularly Fort William and Port Arthur which are of vital importance since they carry the preponderant proportion of the water-borne commerce of Manitoba and the other Prairie Provinces.

Fifthly, we believe there should be an investigation of the advantages of possibly later opening up the coasting trade to vessels of all friendly nations.

Now, Manitoba's concern with relation to the coasting trade is principally with the Great Lakes. Well over 95 per cent of Manitoba's water-borne commernce passes through the Lake Head ports en route to or from Eastern Canada and Eastern United States or overseas origins and destinations so that the concern is primarily with the Great Lakes.

The Great Lakes are at the present time more or less effectively isolated as far as participation by most of the seagoing vessels of the world is concerned. This, of course, is due to the physical barrier principally between Prescott and Montreal, 112 miles of the present St. Lawrence route, which has rapids, circumvented by a series of canals, 22 obsolete locks of very restrictive dimensions.

Now, the St. Lawrence Seaway, the enlarged Seaway will effectively remove this barrier. Some interests propose substitution of artificial

legislative barriers in place of the natural barriers which are about to be removed. This, of course, removal of a natural barrier will open up the possibility, the physical possibility at least of participation in Great Lakes trade including coasting trade by vessels of any nation, subject only to such legislative restriction as now exists, because large ocean-going vessels will be able to pass freely during the navigation season between the salt water and the Great Lakes.

Now, it is a well known fact that the costs of operation of vessels registered under foreign flags, with the exception of the United States, are lower than comparable costs of similar or comparable vessels under Canadian registry. This is due, of course, to three types of costs which are lower. The first is the lower cost of construction of the vessel in foreign shipyards which is due in turn to the lower cost of labour and the materials used in the building of the ships.

Secondly, through lower costs of securing finance and by insurance due, of course, to the lower value of the ships which is reflected in the lower construction costs and finally through lower costs of operating ships under foreign registry.

Now, these costs of operating ships, regardless of registry, will be reduced upon the enlargement of the St. Lawrence Seaway. There are several reasons for this reduction in costs.

First there is economy of scale. The larger vessels that are now possible will be used to traverse the St. Lawrence Seaway route. The present Great Lakes overseas vessels are limited to a capacity of about 1,600 tons, in traversing the Seaway route. Vessels of 5,000 or more dead weight tons will be able to traverse this route within a very few years.

At the present time the inland type of vessels, the so-called canallers which can traverse the route, are limited to a tonnage of about 3,000 tons. Upper lakers of 24 or 25,000 tons will be able to traverse the route with the completion of the present Seaway enlargement project so that the unit cost of transportation will be reduced through the implementation of larger vessels in both cases.

In addition the distance that the very largest types of vessels, the upper lakers which in recent years have been constructed of 20 or 25,000 tons will be able to traverse longer distances instead of terminating eastbound at Lake Ontario ports or Prescott; they will be able to carry cargoes to Montreal, Three Rivers, Quebec and Seven Islands or other lower St. Lawrence ports so that the economy of scale to the employment of larger vessels will accrue doubly because the vessels will be able to operate over longer distances. There is also in addition economy to be realized and reflected presumably in lower costs due to the vast passages which will be

possible through the enlargement of the St. Lawrence route with the use of the 27 foot channels, wider and deeper than the present canals, and with the substitution of fewer and larger lakers the passage time through the St. Lawrence will be considerably reduced.

Finally there will be a reduction in further costs such as insurance due to the use of larger and more adequate waterways than presently exists.

We maintain that the cost advantage that will result from the employment of larger vessels over longer distances in a larger and more adequate waterway should benefit the nation and should be reflected in lower rates to the shippers.

Were it not for certain other conditions which I will not discuss, this could be done by using lower cost foreign flag vessels. There are however, certain other qualifications that must be introduced. There is a consideration firstly of dependability of service, dependability of service.

It is true that shippers are interested not only in the minimum costs but they are interested in having a vessel available for them when they need it and when they want it; to rely upon these vessels at all times to carry their products to and from the places where they are used. Now, dependability of service thus is a consideration which is important along with lowering of the cost to the shippers.

This is particularly true in an inland area

such as Manitoba which exports a large surplus production and imports from other regions at least in Canada and elsewhere most of its consumer requirements.

The second consideration which is often advanced is the desirability of having what some people call employment multiplier. That is, employment which is stimulated by a participation in activities which are reflected in increased employment in other activities. The building and operating of ships, for example, involves their supplies, their organization, their repairs, provision of component parts, chandlering operations and so on.

Thirdly, there is the argument that vessels should be operated under a national flag because of the necessities of maintaining a nucleus for defence purposes if and when a major national military emergency would require some use of ships. This defence nucleus, it is generally argued, would consist of first, vessels themselves, which would be available if and when an emergency should possibly occur; in a nucleus of building capacities, shipbuilding capacity and skills, and in operating know-how; in experienced ship operating personnel.

Now, it is true that there is a dilemma at this point. There is a seeming inconsistency which is not really an inconsistency at all between the requirements of shippers and the national

economy generally for the lowest possible costs on the one hand and the dependability, employment multiplier and defence considerations on the other hand which do not necessarily coincide at all points with lowest cost.

This, however, is only a seeming dilemma. Now, we maintain with minimum costs of shipping services cannot prevail without some actual or potential competition. Competition stimulates improvements in techniques and improvements in rates from the point of view of the shipper.

Now, on the Great Lakes there are two principal types of trade, the package trade or the general cargo trade and the bulk trades. The package freight trades are subject to regulation. In order to engage in the package trade domestically in the coasting trade an operator must get a license from the Board of Transport Commissioners, must prove public convenience and necessity of the service which he proposes to perform so there is a considerable measure of public control. In the bulk trades the levels of rates and services are controlled by the operation of market conditions, by supply and demand for cargoes on the one hand and bottoms on the other hand so that there is a form of control not involving actual regulation, of rates and services.

Now, the costs of operation of vessels under foreign flags and this includes British,

non-Canadian vessels as well as other foreign flag vessels, is not as low relative to the cost of operation of the comparable Canadian vessel as is apparent nor is the advantage to be accrued from the employment of foreign flag vessels as great as many people believe.

In the first place there is the disadvantage of the relative lack of reliability if very considerable emphasis were placed upon the employment of foreign flag ocean-type vessels in the coasting trade because these vessels could be diverted elsewhere subject to market conditions in other routes throughout the world.

In other words they participate in world market conditions. They can be diverted to where it would be more profitable to operate and so most shippers would not want, presumably, to depend entirely upon foreign flag vessels.

Secondly there is another consideration here. That is that most foreign flag vessels presumably would be of an ocean-going type. Now, ocean-going vessels are not as efficient in the Great Lakes trade as our laker type vessels. There are several reasons for this. In the first place the vessels have to be built with greater structural strength in order to stand the ocean voyage. They have to have larger quarters for the crews because of the longer voyages that may be involved in the ocean trades. This involves higher capital costs than for the lake type vessels built under

comparable circumstances.

There are many other reasons. I do not believe we need to go into them at this point. At any rate there is a decrease in the employment of efficiency of ocean-going vessels in the Great Lakes trades as contrasted to the lake type vessels.

There is a third consideration which makes the cost of a potential foreign flag operation not as low relative to the cost of the Canadian flag operation as at first is apparent and that is the fact that if the foreign flag vessel were to be employed in the coasting trade in Canadian waters with any degree of regularity it would necessitate that the personnel of vessels live in Canada and be subjected to Canadian costs of living over extended periods of time. This, of course, would immediately introduce the possibility, indeed the probability, that such personnel would not very long after their beginning of employment in the services demand some additional compensation to meet the increased costs which they would face in this country. They would demand wages which would be more in line with the Canadian wages than if the same personnel and the same vessels were employed in trades elsewhere in the world where living costs would not be so high. Then, of course, even if the crews themselves did not bring these pressures there is always the likelihood that the domestic labour unions, such as the Stevedores, the Longshoremen's Union, might refuse

to service such vessels if it became apparent that they were going to undercut the costs of competitive vessels in the local coasting trades. There would always be that risk and that danger so that then the costs of operation for foreign flag vessels would not, relative to the costs of comparable vessels under Canadian flags, be as low as would at first be apparent.

We maintain therefore that foreign flag participation in the coasting trade here, including United Kingdom as well as other foreign flags, would not constitute a serious danger to the existing ship operating and shipbuilding industries but, on the other hand, whether such participation would be on a regular basis or not it would constitute a potential competition to Canadian owned or Canadian registered vessels and this presumably then would be reflected, since there is a potential competition, in lower rates to be charged by Canadian vessel operators.

In other words we believe that some measure of competition should be permitted to remain whether that competition is actual or potential in order to stimulate lowering of costs which would spread the benefits of lower cost transportation and would therefore be an asset to the national economy.

There is another consideration with relation to the level of rates for transportation services and that is this. The general level

of economic activity in a country or region depends, among other things upon the general level of rates for the transportation services. The lower the freight rates, other things being equal, the more incentive there is to have freight, for the movement of goods and commodities from place to place to and from and within the country or region.

This general level of economic activity would be stimulated by lower transportation costs, if these reduced transportation costs are spread throughout the country rather than allowed to accrue to a specialized segment of the economy; these lower costs would stimulate a higher level of economic activity, greater volume to transportation services and movement, and this volume would be shared by all carriers presumably.

In other words by the increased level of agricultural and mining and industrial activity not only the water carriers butthe railways and highway carriers as well would share in this augmented movement.

Stimulation of additional industrial activity and other economic activity then would constitute an important employment multiplier. This would be reflected throughout the whole economy.

Now, there are two basic problems with relation to national defence, two arguments were advanced in some quarters, both of which involved

the presumption that -- with which I would agree, that it is necessary to maintain a certain nucleus of know-how and facilities first in vessel operation and secondly in shipbuilding in the event that a national military emergency might occur at some time in the future.

Now, this defence, involving a nucleus of Canadian flag vessels, involves several questions. First of all there is the fact that there is an existing industry involving lake carriers, Great Lake carriers. This is a specialized industry employing specialized types of vessels with which the ocean types of vessels cannot quite as effectively compete, other things being equal, for technical reasons. It involves a specialized experience on the part of the existing operators of these lake type vessels so that this industry then does exist and, of course, will continue.

There is a lack of flexibility in the employment of potential ocean-going vessels within the Great Lakes which is very important to recognize.

If a ship operator, actual or potential, were to bring a vessel into the Great Lakes, particularly a lake type vessel as distinct from and ocean type vessel, such vessel would not be potentially employable in other trades throughout the world.

If it were an ocean type vessel it could perhaps at times, when competitive conditions

elsewhere in the world made it desirable, be diverted but the specialist lake type vessels could not because it would not be designed for long ocean voyages in salt water.

This lack of flexibility for potential foreign flag lake type vessels, we maintain, would be the reason why they would not be introduced in large numbers because the capital investment of such vessels would be very large. Most of the potential vessel owners and operators would not want to tie up capital in a specialized trade, in a specialized region in a foreign country as contrasted to the utilization of the small capital of the ocean type vessels which would have greater income where they were flexible.

Thirdly, there is the fact that the lake type vessel built abroad would have to have at least one ocean voyage initially in order to reach Canadian waters and in order to get into the Great Lakes.

There is a great difference of opinion, we found, as to whether it would be physically possible even assuming the considerable risk, to build the very large upper laker type of vessel in a foreign yard and transport it across, let us say, the Atlantic Ocean. There are various technical reasons for this involving the necessity for strengthening the vessel for the voyage, the difficulties of obtaining insurance for the voyage and, of course, there is always the possibility

of certain inefficiencies in the vessel which is built somewhat differently than the optimum being constructed for employment in a specialist trade such as trade within the Great Lakes; so that we do not believe that the possibility of the introduction of foreign-built, foreign-registered lake type vessels constitutes a serious threat to the lake shipping industry as it now exists.

Then there is the problem of maintenance of a nucleus of shipbuilding for defence purposes. The Canadian Maritime Commission in 1949 estimated that the necessary nucleus of shipyard employment for possible use in a national emergency as a nucleus under which expansion could take place would be about 7,000 people. The Maritime Commission has subsequently not changed that estimate.

At no time since World War II has the employment in Canadian shipyards been less than that nucleus or even near that nucleus. At the present time the Canadian shipyard employment is very considerably higher than that nucleus. In any event at least half of the employment in the shipyards would normally be engaged in the repairing of existing vessels rather than in the construction of new ones so that the nucleus involved in the construction of new vessels would presumably be half of that 7,000 or about 3,500 in the Canadian shipyards.

In the Great Lakes areas in Canada the

present employment is a few thousand people. Many interests, involving primarily and concerned primarily with shipbuilding, maintain that protection of this employment is a very considerable matter, but we must balance this protection against other interests in the national economy, spreading all the benefits of lower cost transportation to all interests and all regions within the country.

We believe that this shipyard employment of the Great Lakes which, at the most, would be a few thousand people is not seriously threatened by the potential utilization of foreign flag vessels even granting that such vessels are not likely to be employed in the domestic trades in great numbers. This, of course, includes United Kingdom vessels primarily.

In the first place there are prospects of considerable activity in Great Lakes shipyards for some time to come. This activity will be primarily stimulated by the opening up of the enlarged St. Lawrence Seaway.

There are five considerations in the terms of shipbuilding prospects in the Great Lakes. In the first place there is a need for larger units, larger vessels than the typical upper lakers now employed because the larger vessels will result in greater economy due to the reduction of unit cost, economy of scale, of which I spoke a few moments ago and of course added to this is the prospect that longer voyages that the lake vessels

will make since they will be able to go further and they will be able to trans-ship export or import commodities at lower St. Lawrence ports rather than at Lake Ontario ports or Prescott and will involve the lowering of the tonnage lifting capacity of the present Great Lakes fleet. Thus, new units are added with the demand for large upper laker type of vessels which will result at least partly in the desire for larger units for economy of scale within the lakes.

That is reflected in the fact that the typical upper lake type of vessel of a few years ago was perhaps 12 or 15,000 tons and the vessels now being constructed are for the most part between 20 or 25,000 tons; so that there will be considerable obsolescence in a few years in the existing fleet of upper lakers; added to that the longer voyages which will result in the employing of such vessels through the St. Lawrence Seaway to the Eastern ports.

Secondly, the existing fleet of several hundred so-called canaller type vessels, the dimensions of which are limited by the existing St. Lawrence canals and locks, these vessels will be rendered obsolete for the most part so that when the enlarged St. Lawrence Seaway is open to navigation they will be replaced by larger vessels so that there too will be an increased demand that must be met by increased activity in the Canadian shipyards.

Thirdly, there is a prospect of a very great expansion through the years in the Canadian economy which will produce a larger volume of movement which inturn will reflect in an augmented demand for vessels.

Fourthly, the St. Lawrence Seaway operates both ways. Just as the enlargement of the Seaway will open up the prospects of the introduction of vessels from overseas of a larger size than at present into the Great Lakes so we open up the prospect of participation by Great Lakes shipyards in the construction of vessels which heretofore have been confined to salt water.

These vessels will be two types. First the Canadian shipyards will be able to build large naval vessels and secondly they will be able to build ships for export for register under foreign flags. This has already taken place to some extent in salt water Canadian yards. There is no physical reason why with the enlargement of the St. Lawrence Seaway that such a business cannot be extended to Great Lake yards as well.

Now then, the total movement in the shipping operation of the Great Lakes that would be affected by the introduction of potential foreign flag competition would be very small, even granting that such competition would be introduced to any extent. At the present time, according to the Dominion Bureau

of Statistics, the employment in inland coastal shipping, which means primarily the Great Lakes, is about 6,500. Of that about 3,800 constitute crews of existing lake vessels. Of that 3,800 a certain number, a minority but nevertheless an important minority, are in the passenger and package freight trades, and these trades, as mentioned before, are subject to licensing and control by the Board of Transport Commissioners and potential operators must prove convenience and necessity in order to get such licensing so these then are protected trades and so then of the 3800 a significant proportion would not be directly affected.

There are four forms of potential foreign competition in the bulk trades in the Great Lakes. First, the large ocean type ships of foreign registry in the direct overseas trade; this is growing slowly even before the enlargement of the Seaway. There are three considerations here which we maintain will not make this competition of the direct overseas trade versus the coastal trade and trans-shipment very serious. In the first place the larger ocean-going vessels that will be introduced to the Great Lakes through the Seaway will be somewhat over 8,000 tons, a little over 8,000 tons as contrasted to the 24 or 25,000 tons of the upper laker which will be able to traverse the St. Lawrence Seaway so it will take three times as many

vessels per ton mile, three times as many vessels for the same volume of transportation services as would be required if the upper laker bulk freighters were employed in the same trades; three times as many ocean-going type vessels.

Secondly, the ocean-going type vessels would be possibly slower and more costly turn arounds in port because they are designed or would not be designed for the rapid loading and unloading of bulk cargoes which is characteristic of the existing lake type vessels and for which the existing lake port facilities are designed. You are all familiar with the fact most of the cargo loading and unloading records in the world exist in Great Lakes ports. This would not be possible with ocean type vessels because of the small hatches and the necessity of loading in the wings of greater trimming of cargo and so forth.

Thirdly, in addition, all larger ocean type vessels in direct oversaeas trade under foreign registry would always introduce the possibility of diversion of such vessels to other trades so that the shippers would not be interested in relying upon them exclusively. Consequently the form of competition of foreign competition in the bulk trades would be seasonal intra-lake trade by ocean-going ships. That is trade for the most part between the upper lake and lower lake ports in the coastal trade or in United States and Canadian international trade

by ships of the ocean-going type which would go through the St. Lawrence Seaway early in the navigation season; would participate in the trade during the Spring, Summer and Fall and then would be removed from the Great Lakes prior to the close of navigation.

Here, we do not believe that such potential competition would constitute a serious threat to the domestic lake shipyards or shipbuilding industry.

The cost of trans-shipment, which is not inconsiderable, would add to the cost of the smaller and less efficiently designed vessels. In other words there would be a pyramiding of additional costs through the employment of ocean type vessels in the trades in which the lake type vessels now carry on.

Secondly, there would of course, be, with the introduction of any degree of regularity in the service by ocean type vessels in intra-lake trades, very serious pressure on the part of the personnel of such vessels to raise their wages so that they would be able to meet the Canadian standard of living during such periods as they would have to live in Canada while the vessels are employed for six or seven months per year in Canadian waters; so that the cost differential would be not as great as would be otherwise apparent.

There is a third form of foreign flag

competition in the bulk trades. That is the possible introduction of non-Canadian, that is United Kingdom or foreign vessels of the specialized lake type and we have already discussed these to some extent. Here too the lower wage cost would tend to very soon disappear. Secondly, such foreign registered vessels would come up against long established practices and relationships and particularly know-how of the existing lake ship industry and finally, as I have mentioned, such vessels would be subject to very serious problems in connection with the initial ocean voyage which they would have to make from overseas' shipyards in order to reach the Great Lakes, a voyage which would involve a commercial risk that would be rather serious.

Fourthly, there is potential competition of the occasional irregular visits from tramps under foreign registry which may come into the Lakes occasionally, and which may carry out, let us say, from Fort William to an Eastern Canadian port a cargo, eastbound cargo, let us say, grain in competition with the lake vessels.

This is a problem that can be met by certain considerations. In the first place the preponderant cargo moving from Canadian Lake Head ports is eastbound. There is very little in the way of westbound cargo that such vessels would carry.

The eastbound movement would so predominate

that it would be almost exclusively a one-way movement which, of course, would have to be reflected in higher charter costs for such vessels and secondly an operator of an ocean type tramp would have more benefits from keeping the vessels at sea with the flexibility of longer voyages in the open ocean and the possibility of moving the vessel to anywhere in the world rather than the prospect of a longer and more extensive voyage in terms of time consumed per mile and in terms of insurance costs and so forth in confined waterways.

Thirdly, and more importantly, there is the fact that shippers want reliability of service even though there are tramp carriers or irregular carriers; the shipper wants the confidence of an established relationship with a vessel operator so that he can rely upon that relationship to meet his needs; a relationship which would not be as easily possible in the case of dependence upon the occasional foreign flag tramps.

Thus the non-Canadian coastal shipping to, from and within the Lakes which would be introduced by this enlargement of the St. Lawrence Seaway, we maintain, is not a serious threat to the existing Great Lakes shipbuilding or ship operating industries.

The employment which would be potentially affected is very small in relation to the benefits that would accrue from such potential

competition to the national economy if the rates charged by the existing operators within the Great Lakes are maintained at reasonable levels and reduced to levels which would adequately reflect the reduction of costs that would result from the enlargement of the Seaway.

Secondly, these cost differences, for the reasons which I have already discussed, between the Canadian and foreign registered vessels would tend to be reduced or perhaps even reversed because of the pressure of increased wages of foreign personnel in Canadian waters with any degree of regularity because of the technicalogical considerations that I have mentioned.

Thirdly the general cargo trades, the package freight trades in the Lakes are controlled and regulated by license so that foreign flag operators would be relatively unlikely. In the bulk trades, finally they are carried on and would be continued to be carried on for the most part in lake type rather than ocean type vessels. This means that the Canadian operators would have a decided advantage.

On the other hand even though this introduction of foreign flag including the United Kingdom competition would not be very serious, it would constitute a potential source of competitinn which would be reflected in lower rates in the bulk trades than might presumably otherwise occur.

Competition need not be feared by Canadian operators if their rates are changed to reflect adequately the lower costs that they would have with the completion of the Seaway, so that from the point of view of existing or potential commerce competition there is little to be feared from the implication of these foreign flag vessels that would physically be possible to be introduced into the Lake with the completion of the Seaway.

The defence nucleus argument is the only remaining apparent justification for restricting the participation in the Great Lakes trade. We have, of course, indicated that the existing Great Lakes operators will retain advantages in the Great Lakes trade and the existing shipyards have very good prospects to have an expanding demand for their services so that it is quite unlikely in the foreseeable future that the level of employment in the Great Lakes shipyards or in the Canadian shipyards firstly will fall to the level which the Maritime Commission believes to be the minimum necessary to maintain the defence nucleus.

Even if it were likely, which is quite inconceivable now, even if it were likely the maintenance of a nucleus of any kind for defence purposes is a matter of national concern. It is not primarily the concern of any one segment of the national economy, such as ship owners of any one region within the nation. If and when

the commercial demands for vessels and vessel services are not sufficient to maintain the minimum desired nucleus then the maintenance of such nucleus should not be charged against the shippers more than against anybody else in the nation, no more against one region than another.

On the other hand the defence costs of the shipbuilding or shipping nucleus, like the costs of the Army and Navy and Air Force, should be charged directly and honestly and forthrightly against the national budget because it is in the national interest; then all would share in this cost.

The allocation of defence costs would be more fair and would not fall upon this segment of the national economy where the full benefits of the St. Lawrence Seaway would be at least in part negated.

There is one other topic that I would like to discuss for a few moments and that is the topic of the terminals and port development facilities at Fort William and Port Arthur, the Lake Head ports.

A very great share, the preponderant majority of shipments to and from Western Canada, which moves by waters from particularly the Prairie Provinces, passes through Port Arthur and Fort William so that Manitoba is very vitally interested in the development of such facilities as would be necessary to secure the

full physical and economic benefits of the St. Lawrence Seaway. Fort William and Port Arthur are the Western Canadian terminals of the Seaway.

We have inspected these ports rather briefly but we have reached certain tentative judgments about them. We feel that the grain elevator facilities on the whole are adequate for handling such ocean type vessels as may be introduced into the Great Lakes grain trades by the completion of the St. Lawrence Seaway.

On the other hand the channels which render these elevators accessible, particularly at Fort William and to a certain extent at Port Arthur, will require treatment. They are not sufficiently deep, 27 feet, to enable fully loaded vessels of the maximum seaway draught to reach certain of the port facilities.

It is quite likely that within a very short time the connecting channels of the Great Lakes, Detroit and St. Clair and St. Mary's River will be deepened to 27 feet. It is imperative if the full advantage of the Seaway is to be realized at the Lake Head that some thought be given to the provision of channels of comparable depth for the terminal facilities at the Lake Head ports.

We have also inspected the general cargo and the package freight facilities at two of the Lake Head ports. We have found that they are generally obsolete, that they are not

suited for the handling of any of the general cargo that may come to or from the Lake Head in ocean type vessels. All of them at the present time are designed for side port loading and discharging of cargoes, a horizontal movement, whereas the ocean type vessels require a vertical movement through the hatches other than with ships' tackle as is the custom -- ships' tackle or by big cranes, as is the custom in Europe and other parts of the world.

All of these Lake Head facilities are designed for lake package freight trade with side ports movement.

Modern terminal facilities for an ocean-going general cargo should have a wharf apron 40 or 50 feet in width. The wharf apron at the Lake Head now is 8 or 10 feet. That is insufficient for handling cargoes and therefore ships' tackle would be necessary in the case of coean-going vessels.

Furthermore there are inadequate provisions for loading and discharging of motor trucks at the Lake Head general cargo terminals, all of which at the present time are maintained by the railways. There is a need for comprehensive thinking about the future of the Lake Head ports. There is no agency either in Fort William or Port Arthur or both which, at the present time, is competent either legally or actually to deal in a comprehensive manner with this double problem.

We, therefore, believe that an investigation of the problems of the future development of the Lake Head ports would be in the best interests of the nation as a whole and particularly the hinterland of these ports which principally is the Prairie Provinces.

In summary I would say that Manitoba's interest in the subject of this Commission is primarily that the benefits to Canada that would accrue through the completion of the St. Lawrence Seaway project should be spread as widely as possible through the national economy and not confined to any one or more interested groups or any one or more regions. They should be spread broadly. This can best be done at the moment at least by leaving the provisions of the Canada Shipping Act which permit Commonwealth vessels to participate in the coasting trade intact, without change, so that potential competition will exist and will have the effect of stimulating the level of freight rates in the Lakes that would adequately reflect the savings that would result from an enlargement of the Seaway.

We believe that the Great Lakes should not be regulated any differently than any other of the national waters of the national trades.

We believe that it would be very desirable to investigate the conditions at the Lake Head ports in order to insure that

steps be taken to secure the maximum benefits of the Seaway traffic and to maximize the potential traffic through those ports.

Finally we believe that it would be well to consider the possibility of an investigation of the benefits of not only maintaining the status quo with relation to the Canada Shipping Act but liberalizing it eventually so that the coasting trade would be open to vessels of all friendly nations. This perhaps not immediately but such investigation, we believe, would disclose very useful information for the future.

Thank you.

THE CHAIRMAN: I think this would be a good time to take a ten-minute break.

---The hearing recessed at 11:50 a.m.

---The hearing resumed at 12:00 noon.

THE CHAIRMAN: Yes, Dr. Solomon.

DR. SOLOMON: Mr. Chairman, I propose in these very brief submissions to support the stand that Dr. Mayer made particularly by saying that not one of the arguments which have been made for further restrictions is valid. The economic argument and the military arguments for restrictions are separate issues and we will therefore treat them separately.

The most popular economic argument is that new restrictions are needed in order to

protect the Canadian worker against the ruinous competition of cheap U. K. labour and thereby to increase the level of employment in Canada. We will examine this argument in terms of the shipbuilding industry, which employs about 21,000 people.

It has been implied that unless we eliminate U. K. competition these 21,000 persons will become unemployed. This is just not so. A very large part of the 21,000 are performing services that cannot and will not be imported. In this category we have (a) construction and repair of all small craft; (b) construction and repair of all Government and naval vessels; (c) some part of repair work of ocean vessels; (d) a large part of the construction and repair work of the specialized lake type vessels. I do not know exactly what these categories would add up to, one can only guess, from statistics but it is well over 50 per cent of the 21,000 people. The unemployment argument therefore does not apply to this 50 per cent of the 21,000 people.

Secondly it has been implied that if shipyard workers become unemployed because of foreign competition, these workers stay unemployed. This is also false. In 1943 we had some 76,000 people employed in the shipyards. By April of 1953 this figure was down to about 26,000. Well, in April 1953 the other 50,000 were certainly not unemployed. In fact they were

probably employed in more productive industries.

It is also implied that if the shipbuilding industry is completely protected by restriction against non-Canadian competition, fluctuations in shipyard employment would somehow disappear. This again is not true. Shipbuilding, like the manufacture of any durable capital goods, is subject to wide fluctuations in activity and will continue to be so regardless of the competitive conditions which prevail. As an example, let us take the Great Lakes' shipyards. These shipyards as a group have thus far had very little outside competition in shipbuilding and ship repair activities in the Great Lakes because of the physical barrier between Lake Ontario and the Ocean. Yet, activity in these Great Lake shipyards has been as volatile as the activity in the Atlantic Coast shipyards. Since the war employment in the Great Lakes shipyards has ranged from a low of 1500 to a high of 3600, entirely due to normal business fluctuations.

The employment argument can therefore be dismissed as follows. If we have economic prosperity and growth we do not need to worry about shipyard employment as an economic problem. Workers displaced from shipyard jobs by U. K. competition can and should move to more highly productive jobs which will be available in the growing industries of Canada. Their greater productivity in these new jobs can buy for

Canada more ships than they would have been able to produce directly. Everybody gains from the change.

In the remote event that Canada does not have prosperity and growth the total demand for new ships is going to fall to negligible levels and no protective measure yet devised can create employment when there is no demand.

Secondly, the second broad economic argument is that unless the ship-operating industry is protected, Canada's Merchant Fleet will disappear, and with is all control over the shipping services Canada depends upon for its trade. Our comments on this argument are as follows: (1) All the preceding analysis regarding unemployment would apply here.

(2) In the Bulk Trades from and within the Great Lakes, I think, we will depend in the main on large specialized bulk carriers. These carriers are not suitable for services elsewhere in the world. If these carriers are manned by U. K. sailors, it will not be long before these seamen's wages rise to the Canadian levels or the seamen themselves become Canadians. In any case these vessels will always be available to the Canadian trade, for the simple reason that they cannot be used elsewhere in the world.

(3) With respect to ocean-going ships, it has been implied that United Kingdom ships can be diverted away from the Canadian trade routes

at any time and thus leave Canada stranded without the means of transporting her exports to her markets. The only condition under which this argument applies is the remote event that the U. K. gets involved in a war in which Canada is not involved. But in this event the U. K. will depend even more upon imports from Canada. If anything, United Kingdom ships from all over the world will be diverted to the North Atlantic route and not the other way around.

(4) In connection with the argument for excluding United Kingdom shipyards and shipping from the Great Lakes trade, it has been implied that this does not cost the United Kingdom any dollar earnings because what she has not had she will not miss. This reasoning is quite fallacious. The correct comparison is not between the past and the future, but between what the future would be under one set of policies as against an alternative set of policies. To the extent that newly legislated shipping policies deprive the United Kingdom of dollar earnings that she might otherwise have received, Canada will be deprived of markets she would otherwise have had. Unemployment caused by imports is obvious and everybody can see it. Unemployment which is caused by failure to export is not quite so obvious but it is none the less there and failure to export in Canada's case to her principal overseas markets is entirely due to

Britain's failure to earn dollars in Canada and by selling us the things she can sell us. What shipping restrictions will do therefore is, to prevent by artificial means, the transfer of Canadian energies from shipping activity to relatively more efficient activities. I am not suggesting that shipping is not efficient but it is a question of which is more efficient. It happens that there are other growing industries, like newsprint, which are more efficient. Canada, as a whole, stands to lose much if such restrictions become effective.

(5) It has also been implied that the Great Lakes shipping does not require non-Canadian competition. It is already highly competitive, fiercely competitive as it has been said, and all that more potential competition can do is to bring about a disorderly volitility in freight rates. It is true that ocean freight rates on grain, for example, are more volatile than lake rates. It does not follow that lake rates, after the Seaway is opened, will become quite as volatile as ocean rates nor is it true that price stability is in itself such a desirable condition that it should be preserved by restriction. In addition to stability it is very necessary to examine the trend of prices which could be too high and too stable.

A comparison of the year 1953's prices with the average prewar prices of the years

between 1935 and 1938 we see the following facts.

(1) The ocean rates on grain between these two periods have gone up 96 per cent. The Lake rates on grain have gone up 245 per cent. During the same period wholesale prices in Canada have moved up roughly between 100 and 130 per cent depending on the category of goods you are looking at.

We turn now to the military argument for restriction. Nobody, as Dr. Mayer pointed out, will quarrel with Canada's need for a nucleus of shipbuilding and operating skills for defence purposes. But, it just does not follow that shipping restrictions are needed to achieve this. The estimate of the Canadian Maritime Commission is for a nucleus of employment of 7,000 and the present employment is well over this figure.

If and when this necessary nucleus of employment is threatened, the cost of maintaining it at the minimum safe level should be borne directly as a defence expense in the Federal Budget. This way, everybody will know exactly what this item of defence costs and because this cost is known exactly, it can be controlled by the people who are directly responsible for using the taxpayers' money efficiently.

It has been implied that shipping restriction will do the job even more efficiently because it will not cost the taxpayer a single penny. This reasoning is not justified.

Restriction will not ensure that the required nucleus will always be employed in shipyards. I think that it is possible to test this by asking shipbuilders if, in exchange for protection they will (a) define the desirable level of minimum shipyard employment; (b) guarantee to carry this minimum number on their payrolls for the next decade; so I do not believe protection will do the job of maintaining a nucleus. Protection also has costs, important costs. These costs are hidden away in the prices of many goods and services and they cannot be computed exactly and therefore they cannot be controlled. Some of these costs are direct. Employment opportunity in the industries which depend heavily on water transportation will be reduced relative to what they would be if the restriction did not exist. And the development of our own industries and growing industries will be prejudiced.

But even more important than the direct costs are the indirect costs of restriction to the economy.

Many desirable long-run changes in the structure of a growing country, changes in the structure of unemployment are in the direction of higher productivity industries and higher wage industries. Restriction artificially prevents this and this in turn, of course, will prevent the optimum development of the Canadian economy.

Over all as far as defence is concerned,

it will be least costly and most efficient if the defence-related need for a shipping and shipbuilding nucleus is handled, if and when it arises, as a direct expense of the Federal Defence Budget.

Thank you.

MR. MUNDELL: I understand, Mr. Chairman, Mr. Shepard's proposal is to put the two witnesses on the stand simultaneously in this case in view of the fact this is in the nature of a joint submission.

MR. SHEPARD: Yes, that is correct.

THE CHAIRMAN: I think that is a satisfactory method of procedure.

MR. MUNDELL: In view of the fact we are going to have a group of witnesses, we propose that I will start the examination and Mr. Gerin-Lajoie will follow, if that is satisfactory.

THE CHAIRMAN: Yes.

MR. MUNDELL: Q. I would like, if I may, to clarify a few of the statements you have made to find if possible what degree of research you have done in the joint submissions you have made.

I would like to point out that unfortunately as counsel for the Commission examining witnesses, we appear to adopt a rather hostile attitude. It is not a hostile attitude at all. It is simply we wish to test the assertions and statements made and that puts us in the position of questioning their validity.

Now then, the first point I would like to

cover, if I may, is of a general character. You have put forward the proposition that the Government of Manitoba is viewing this problem mainly from the Great Lakes point of view. Does that mean that you are excluding from consideration any problems say east of Montreal or on the West Coast?

DR. SOLOMON: No, it does not. We take those into account. What we wanted to avoid was, quite frankly, legislation on the Great Lakes restricting coastal shipping. Presumably if legislation was passed at all, it may be passed for the Great Lakes and not for the rest of the country.

Q. You do not consider the possibility of restriction on the east or west coasts but just on the Great Lakes?

DR. SOLOMON: I did not take that into account at all.

Q. Taking the brief, I would like to examine one or two of your various statements made. I do not know whether you have the Commission brief.

DR. SOLOMON: I have one.

Q. I am looking at B-77. Now, the first part of your brief is merely a preface and summary of what is to follow. I will go over to page 2 of B-77. You mention that in the verbal statement the elimination of trans-shipment that is now necessary would reduce the cost of the vessel operator moving over this route. Have you made any calculation of what the costs of trans-shipment

are?

DR. SOLOMON: Yes, we have. We could not get anything definitive evidence to support it as a table.

Q. Why was that?

DR. SOLOMON: The people whom we asked did not seem to know definitely. We asked ship operators and port authorities.

Q. You just could not get the fundamental data to calculate the costs?

A. We just could not get fundamental data that was complete enough or made sense enough or comprehensive enough to provide us with a table.

Q. Could you suggest to the Commission where they could find this information?

DR. SOLOMON: Our approach was simply to some people that might know.

Q. Whom would you suggest?

DR. SOLOMON: I think the people who operate the ships would be the people who would know most, the steamship lines.

Q. Then at the bottom of that page, this is page 2, you mention "Canadian exports to overseas markets will be in a stronger competitive position." You mention as an example grain. Assuming there is a saving in transportation costs to a foreign market to whom will that saving go, the purchasor or the producer?

DR. SOLOMON: It is unpredictable to say from past history. That is something that is

unpredictable but if it goes to the purchasor, presumably it increases his ability to trade and the seller gets and increased volume. If it goes to the seller it gives the seller some increased revenue directly. Some of both will happen.

Q. You mentioned and I was wondering if you had taken into account the seasonal factor with regard to increased exports on the Great Lakes which are available as a transportation media only during the navigation season and thereafter the grain moves by rail. Have you given any consideration as to what might happen on the seasonal side of it if the railways get less grain during the navigation season? Would there be an increase in rates?

DR. SOLOMON: I do not know. The rail rates, of course, are not set unilaterally by the railways.

Q. Might it not be it would found a justifiable application for an increase?

DR. SOLOMON: I do not think they would get any less than they get now.

Q. You have just never really studied that aspect of it?

DR. SOLOMON: No, I have not.

Q. Turning to page 3 under the heading "Transportation Industries", you mention "All types of carriers will, in the long run, share in the increased level of industrial and commercial activity".

The railways have put before the Commission that they will lose a great deal of traffic immediately which they say will be a very serious matter to them. Can you give any estimate on your long run?

DR. SOLOMON: Well, I mean, just look at the last 20 years in the Canadian economy. Would you rather have 100 per cent of thej 1935 market or just 50 per cent of today's market? This is the same instance of how much of the market you can afford to lose if the economy is growing. You can sell or capture a smaller market share in a full economy and do much better than you would by a complete monopoly on a small and withering economy. I think the rate of growth of the Canadian economy is going to proceed, taking price fluctuations into account, at three or four per cent per annum. The task of all parties is to make sure this economic growth carries on in the next decade at the same pace we have had in the last decade. The St. Lawrence Seaway and improved transportation services and good policies are the things that will insure this and this is an important matter in the national policy.

Q. In your submissions relating to policies you said protection would be rigidity that might deter them. Is that correct?

A. I think so, yes, indeed.

Q. Would you go so far possibly as to say the railways might then lose out -- might

gain more by less protection and lose with protection?

DR. SOLOMON: I think so, yes.

Q. Their argument is protect the ship industry and that will keep the costs up?

A. I think I agree, if you look at a static market the thingto do is to get as big a share as you can this year and worry about next year. If you worry about the dynamics of the situation I think you would prefer, if you are a railway man, a solid policy that would insure growth primarily.

Q. At the top of page 3 you say Canada imports a substantial proportion and so on from overseas. Have you any calculation or figures as to the amount that has come through the Lake Head todate or what you might predict would come by water of westbound cargoes?

DR. MAYER: We have no predictions except to point to the analogy of the growth of the trade of the Great Lakes, overseas direct trade from the United States since vessels and exports became available for them. This trade began in 1933 with one vessel. At the present time there are about 100 small seagoing vessels, which vessels have scheduled three round trips from Chicago alone.

Of course, it is true that most of these serve the cities like ports where there is a high degree of industrialization but this growth may

be anticipated and be shared by the hinterland Lake Superior ports, Port Arthur and Fort William as the national economy expands and self-development takes place in Western Canada.

We feel quite confident that the Great Lakes overseas trade will expand rather rapidly upon the completion of the Seaway where trade exists.

Q. Have you available information as to what the present trade between the Lake Head and foreign ports is?

DR. MAYER: The direct trade is relatively small.

Q. I think that the impression of the Western part of Canada---

DR. SOLOMON: Nil practically.

DR. MAYER: Westbound it is virtually nil. Eastbound there is some grain.

DR. SOLOMON: They say at Port Arthur westbound cargoes have not been seen for a long time.

Q. To what do you attribute the growth of the south shore ports and the virtual nil amount of direct foreign trade into the Lake Head?

DR. MAYER: Well, I think there are several factors involved in that. In the first place the supply of tonnage capacity, although rapidly growing since the service began in 1933 is still verylimited and will continue to be limited until the Seaway enlargement has been

completed.

The vessel operators want to keep this limited supply of bottoms and vessels in the regions where the traffic potential at the present time is at the maximum, in order to establish the grandfather rights through the Seaway, operating experience and so forth and keep their vessels fully employed during the open navigation season.

In the lower lake ports particularly in the United States and also in the Lake Ontario ports of Canada, we have a very large metropolitan consuming population. In the Lake Michigan ports particularly Chicago and to some extent Milwaukee, we have a vast hinterland with many many millions of people, much larger populationwise at the present time than Western Canada; so it is a question of serving at the moment the largest possible market, with the augmented supply and capacity of bottoms and with the possibility of lower costs with the more adequate Seaway.

It seems evident that the existing operators in the Great Lakes overseas trade and the potential operators who will come in in the future with larger vessels than presently used, will divert some of that tonnage to other ports of the Great Lakes which are not now served.

In other words it is a question of tapping the maximum American market, the largest metropolitan area along the Lakes and the area with the most populous hinterland for the time

being.

Q. You think then there is a fair prospect that some of this coasting trade will disappear and a lot of it will be ocean-going ships?

DR.MAYER: I think there would be a very substantial increase in the volume of direct ocean-going overseas trade.

Q. The point I was getting at is that if there are westbound cargoes of some kind or other there will be eastbound cargoes, direct shipments overseas of grain and so on. Would you expect that would have a serious effect on the Great Lakes operation?

DR. MAYER: No. I do not believe that because the economy is an expanding one. There may be a relative percentagewise decrease but a total increase because of the general expansion of the economy of Western Canada.

Q. Now then, I am going to page 6 of Volume B-77. "Considerably larger ocean-going vessels than can now do so will be able to enter the Great Lakes Overseas Direct Trade.". Further down you mention the relative costs, per ton mile. Have you done any precise calculation on the relative costs per ton mile or were you able to do so?

DR. MAYER: We were not able to do so but we had competent general information relating to the costs.

Q. Can you suggest to the Commission how

the relative per ton mile costs may be arrived at?

DR. MAYER: They can best be arrived at by securing voyage records from the vessel operators, the steamship companies operating various types of vessels.

Q. There have been put before the Commission calculations in regard to a 10,000 ton Canadian bottom, Canadian built and operated and a 10,000 ton U. K. bottom giving relative figures. Have you seen those comparisons?

DR. MAYER: Yes.

Q. What validity would you say they had? Are they subject to criticism in relation to the coasting fleet on the Great Lakes in comparison, say, with the bulk freighter?

DR. MAYER: Those figures apply to both the coasting and ocean type vessels.

Q. Have you considered what the corresponding calculation of the bulk freighter would be? The point I am coming to you said it was possible that the bulk freighter might find quite a lower cost in the final---

DR. MAYER: Yes.

Q. I was wondering why you say that in the light of those figures.

DR. SOLOMON: May I take that? We spent a considerable time trying to get an exact estimate of the comparison of a Canadian laker type vessel between the Lake Head and Montreal including trans-shipment and an ocean ship of

the same type, done by an ocean ship from the Lake Head to Montreal.

Q. Between a U. K. bottom and a Canadian bottom?

DR. SOLOMON: Between a U. K. bottom and a Canadian bottom. We have asked quite extensive questions on that point from many people trying to piece together all the figures. I have I think spent about 20 man hours on that job alone. I came to the conclusion I could not put forward a precise figure that I would be willing to defend in any court, but the figures did indicate that the efficiency of the laker did a good job of cancelling out -- the Canadian laker's efficiency did a good job of cancelling out the wage differential as it now exists.

Q. I would like to spend more time on this because this is such an important point. I am wondering whether it would be possible to have you to go into what your calculations were, about which you are not satisfied, I wonder if you could give us those?

DR. SOLOMON: I do not remember them off hand. This was about three months ago. I would be very happy to drop you a line or write the Commission a letter showing what I have and where we found the biggest gaps in the information so that you could fill it in if you get the exact figures.

Q. You have not got that material with you

now?

DR. SOLOMON: No, I did not bring it.

THE CHAIRMAN: I think that is perhaps one of the most important matters with which we have to deal. This is a most important phase of the whole investigation and the statement that Dr. Solomon has made is one of the really strategic statements in this investigation because this is a problem which worries the members of the Commission throughout; the well-recognized superior efficiency, the great efficiency of the Canadian lakers. Now, of course, that does not deal with the other type of competition which Dr. Mayer mentioned, the importation of the pseudo laker built elsewhere and run on the Great Lakes; but it does deal with the very important question of the competition between the ocean-going ship in the lake with its cheap labour and the Canadian laker with the Canadian labour.

I would think that if Dr. Solomon would send you a very complete document it would be of assistance to us.

MR. MUNDELL: May I suggest this, that we reserve an exhibit number and have that go into the record so that interested parties would have an opportunity to comment on it.

THE CHAIRMAN: Yes, that will be Exhibit No. 43.

---EXHIBIT NO. 43: Compilation to be supplied by Dr. Solomon.

MR. MUNDELL: I would think the less you leave out, Dr. Solomon, the more helpful it would be.

DR. SOLOMON: There should be evidence against that figure showing so and so. The lastest studies that I have seen made definitively by a Government body was during 1932 where some attempt was made to think along those lines in the United States. Of course, those are away out of date.

MR. MUNDELL: Q. As a matter of fact this next question may be somewhat superfluous but it is interesting. On the same page 6 you state: "All factors considered, the general opinion is that Canadian operated lake-type vessels will maintain a cost advantage".

I must say that some of the opinions that have been put before this Commission do not exactly coincide with that view. What I was wondering is when you referred to "general opinion", whose general opinion?

DR. SOLOMON: Firstly the direction in which these figures seem to point, particularly in the case of ocean ships do not take any wage changes in the future into account. This is only a matter of general opinion of figures obtained; those people to whom we have spoken seem to indicate this.

Q. Does that include the Canadian ship operators?

DR. SOLOMON: No, I do not think there was a single Canadian ship operator who said that

explicitly.

Q. Who are the people that had this general opinion?

DR. SOLOMON: The people who operate ships within the St. Lawrence and the Great Lakes as well as operate ocean ships; the people who operate ocean ships.

Q. Those are all non-Canadian?

A. No, they are Canadians but they are not Canadian lake ship operators.

Q. Can you give the Commission any information that you have gotten from different inquiries as to the feasibility of constructing the upper laker abroad and bringing it here into the Great Lakes?

DR. SOLOMON: We have asked that question many times and we have got very confusing answers. I have asked that of people who operate Great Lake ships and people say you can build. Some of them say it will break up. You can't do it.

We asked one ship operator if he could, for example, use Newfoundland as a base of operation rather than Montreal. He said "If you get it on the ocean it will break up in five minutes". Later we asked him about bringing the big laker across from London. He said it is possible. Both of these statements from the same man within five minutes.

DR. MAYER: It is true, of course, that lakers have been built abroad and transported

across the Atlantic Ocean. For example, the C. P. R.'s new passenger and package freighters are built abraod, but they had to be cut in two to enter the locks and then reassembled in the Lakes later. Investigation did disclose that no upper laker as such of modern size has been built abroad. We have also discovered that no one has gained the experience of knowledge among the operators themselves wherein the future things need a definite answer as to whether (a) it would be physically feasible or (b) whether it would be insurable or (c) whether it would be conomical.

THE CHAIRMAN: Q. We have some further information on that from a group which will probably be of interest to you. Already the builder or rather the owner of one of the very large lakers, the Scott Misener, has told us that there has been an attempt to buy the plans for that ship so that it might be duplicated overseas and brought into the Canadian Great Lakes trade.

Would this be an appropriate time or are you at a point where you can stop for recess, Mr. Mundell?

MR. MUNDELL: I think so, Mr. Chairman.

THE CHAIRMAN: Under those circumstances I think we will adjourn until 2:30 p.m.

---The hearing adjourned at 12:35 p.m.

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---Upon resuming at 2.30 P.M.:

THE CHAIRMAN: Proceed, please, Mr. Mundell.

MR. MUNDELL: Q. I thought I might be able to generalize one question or two questions. You have said that you have not been able to give us figures as to the comparative costs in future as to competition with bulk traffic, between upper-lakers and lower-lakers. That would include all the elements of cost for transshipment and so on. The submission made does not alter the position as regards package freighters. You are prepared to accept the status quo. What I put to you is that does it matter whether or not there is protection if the bulk freighters can out-compete or compete on reasonable terms with foreign vessels? Do you follow my question?

DR. SOLOMON: Yes. I think it does matter. Assuming that our bulk freighters can out-compete the foreign ocean-going ships that come in here; this would be true only if our bulk freighters did reduce the rates commensurate with the cost reductions which might be possible because of the enlargement of the seaway.

Q. Just stopping at that point. Is it fair to say you are not able to give us any calculations of what there will be in cost reduction? That is just a judgment?

A. This is a judgment.

Q. Based on a number of factors.

A. I think it is judgment that is widely concurred in for obvious reasons, no transshipment.

Q. They are not demonstrable?

A. I think they are demonstrable.

Q. Statistically?

A. You cannot put a precise figure on how much the reduction would be, but it would be a reduction.

Q. What statistical information would be available, you have not given us any.

A. No, I have not.

Q. This is an assertion you are putting forward.

A. Yes.

THE CHAIRMAN: Q. The reduction in cost means in a Canadian laker after the seaway has been completed as compared with the cost of transportation in a Canadian laker before, plus transshipment.

DR. SOLOMON: A. That is right.

THE CHAIRMAN: At any rate, Dr. Mayer's view corresponds with that of the other interests on that point.

MR. MUNDELL: Yes, I think that is correct. I am just surprised we have not got that since it is in the interest of the Government of Manitoba to demonstrate there would be a particular cost operating by the demonstration -- I am not trying to be critical. I am just pointing out that this is the Commission's problem.

DR. SOLOMON: A. Mr. Mundell, I think

the situation is that one can say the direction of the new cost will be lower, but to pin-point it to 5¢ a bushel is a very difficult problem.

Q. You would base your statement -- you said there were five considerations there, the larger vessels on longer voyages, the small canalers will disappear, there will be an expansion of Canadian economy with a larger volume of trade, there will be some export vessels, you thought -- I am dealing with shipbuilding, and the potential other flag competition. Thbse are all just considerations; none of which can be weighed exactly.

A. Well, as far as the cost of the Canadian bulk shipments are concerned on wheat from Fort William to Montreal, you can pin-point it a little more exactly than that. You can say the transshipment will disappear. The transshipment from the laker to the freight canaler will disappear. There will only be one transshipment left at Montreal.

Q. You are satisfied there will be a decrease?

A. I am satisfied the cost will decrease.

Q. You suggest possibly they can outcompete the foreign-going vessels; there is no real danger of foreign competition.

A. That is how I feel.

Q. Why then is it dangerous to have protection?

A. Because there is nothing to ensure that the Canadian local lakers will reduce prices

just because the costs fall and that competition ensures this.

Q. You are saying that there is no competition.

A. There is a great deal of competition. I think that the competition for Churchill, the competition for Vancouver and so on are not really relative to this matter. This is the competition of a few. If they have cost reduction of a few cents, then it is well known that large corporations do not change their practices immediately.

Q. You say there is no competition amongst the bulk carriers on the Lakes amongst themselves.

A. I think there is a degree of competition, certainly.

Q. What do you mean by "degree"?

A. Competition is not something that is black and white, Mr. Mundell. I think there are degrees of competition, depending upon the number of companies competing, the dominant position of one company.

Q. If the foreign carriers cannot compete with any of the lake bulk carriers, how is their competition going to increase or intensify among the lake carriers?

A. They cannot compete if the American (sic) carriers reduce prices. Assuming the costs come down 10¢ for a bushel of wheat, let us say, or it comes down 5¢, if the rates are reduced 5¢ a bushel I do not think the foreign ocean-going

carrier can compete. If the prices are not reduced 5¢ it is possible they can become competitive. They act as a policeman in effect to ensure that costs reduce and the efficiency improvements are passed on in the form of lower rates.

Q. In effect you think that there is no such competition on the Lakes now that would produce that result or you cannot expect it?

A. I am not sure there is.

Q. In the course of your inquiries have you seen or received any information that would indicate that there is no limitation on the competition amongst upper-lakers?

A. Are you speaking of limitation in the form of collusion? No, I have seen absolutely no evidence there is any collusion between the carriers.

Q. What limitations are there on competition, or is it just the lack of the number of vessels?

A. Quite, yes. I have always approached this problem with the idea that protection which interferes with our regular economic system is something that has to be definitive and lack of protection is not something that has to be definitive.

Q. I was going to come to your next point on defence. You admit the validity of a nucleus for defence purposes of shipbuilding facilities and ships.

A. Yes.

Q. The possible argument that it is necessary to have an essential link in our own

transportation system controlled by Canadian vessels.

A. No, not necessarily Canadian. If they are specialized vessels of British charter they become Canadian in effect, there is nowhere else to go.

Q. You say if special measures are necessary to maintain a defence nucleus then it can be done as a direct defence policy. What would you advocate that as a term or what would you think could be proposed as a direct defence policy?

A. I would suggest something like as follows. If we have a shipbuilding industry employing six thousand men and the military people say seven thousand are necessary -- how they arrive at this figure, I do not know, if we need a couple of thousand men as an example, let us say we have to build one ship the cost of which is $7,000,000 in Canada, and the cost of this ship on the world market is $5,000,000, we would say we will build this ship for the $7,000,000, hire or use it for $5,000,000 worth and then the $2,000,000 is a defence cost.

Q. What you say is that you would subsidize the ship to the extent of the difference between the Canadian cost and the foreign cost?

A. That will be one way of doing it.

Q. Is it not true that is a very difficult policy to administer?

A. It is difficult, yes, but in many respects it is easier on the economy.

Q. Would you not have difficulty in maintaining the competitive factor amongst the

shipyards in this case?

A. No, I don't think so.

Q. The point I am coming to is this, if protection is not or might not be necessary to maintain lower rates, might it not be the best way of obtaining a defence nucleus policy?

A. No.

Q. By leaving the free competitive building between the shipbuilders?

A. I think you can get competition in a situation where employment opportunities have dried up. That would be on the down swing of the business cycle. That is what we know as artificially attempting to maintain employment because of defence purposes. We want to give these people practice at shipbuilding. We could ask how many Canadian shipbuilders there are, all the shipping companies in the Great Lakes as well as in the eastern companies; if we take the ocean ports into consideration we would have more than one company. We could give it to the lowest bidder or actually might be the lowest. It is only private competition among shipbuilders.

Q. What about the desirability of maintaining shipyards in particular areas; for example, say the Great Lakes were considered to be strategic areas to have, say, a shipyard?

A. Then again you can recognize this as a defence cost.

Q. You are not dealing then on a

competitive basis.

A. No.

DR. MAYER: May I add something?

MR. MUNDELL: Yes.

DR. MAYER: This brings up the question of the policy which the United States has dealt with, for example, the Pacific Coast shipyards which were at an economical disadvantage compared to the shipyards on the Atlantic and Gulf Coast, so the United States Maritime Administration gives an advantage in the form of a commission for higher bids from the Pacific Coast; I believe a handicap, if you want to call it that, which is about 6%, so that would tend to offset the regional disadvantages of the Pacific Coast.

COMMISSIONER WICKWIRE: Q. What is the reason for that, the labour?

DR. MAYER: A. The reasons set forth are first of all, the distances of the Pacific Coast from the industrialized areas of the East, the relative scarcity of labour, transportation costs of material, and so on.

Q. Does the labour on the Pacific Coast receive more than the comparable labour on the Atlantic Coast?

DR. MAYER: Slightly more.

MR. MUNDELL: Q. I am wondering if I can get your views for the benefit of the Commission, on a number of suggestions that have been made. We have dealt with your main submission as

directed at the total restriction policy, and then we have dealt with the package freight problem, and you are prepared to accept the status quo on that. What would you think of this plan, subsidization as has been suggested of Canadian-built ships, the provision such as the Australians have, to require foreign vessels operating on the coastal trade of Canada to pay Canadian wage rates.

DR. SOLOMON: A. That is a step forward in making for fairer competition on the first part of it. On the subsidy part of it I suggest that subsidies be thought of only if and when this nucleus is threatened. If at that time the Defence Department considers vessels to be essential, I suppose they are, rather than build radar screens or more aeroplanes, it is to be treated as a specific item which has to meet the challenge of other use of funds, not as a general month-to-month proposition.

On the second matter I think here the force of competition will push the wages up more strongly than in the case of Australia. Here people both came and stayed on the Lakes, much more land dwellers, shall we say, so they usually come over greater distances.

Q. That would raise this question. If you expect them to go up, why not do it by legislation?

A. I like the forces of the market. I think they are much fairer than the forces of legislation. No matter how brilliant an administrator

is, he cannot give serious accurate decisions ---

Q. The point would be, if you are correct, that foreign or U.K. ships in the Lakes engaged in the coasting trade, if their wages went up to the Canadian level it would not matter whether it was by legislation or by market.

A. On the Canadian level the rates to men are not the same.

Q. You say it is an administrative difficulty?

A. Yes. To do it properly you would need 10,000 staticians working all the time.

Q. Is that correct?

A. Yes, it is.

Q. Why do you say that?

A. Well, the Russians tried to set prices artificially with adding machines and that experiment was in effect to replace the price structure. It was not very effective.

THE CHAIRMAN: Q. Mr. Mundell is not speaking about prices, he is speaking about fixing wages.

DR. SOLOMON: A. I think wages and prices have the same meaning.

Q. There has been difficulty facing these Canadian operators. They all have been subject to Union contracts, or most of them, and you can see on the Atlantic Coast wages for a certain type of crewman are so many dollars and so many cents per week and if your foreign ships are trading in that

area the wages would be under the same regulation. Would that not be a technical difficulty? As a matter of fact, in Australia, I understand, the statute has never been declared because the United Kingdom shippers have constantly kept to the Australian wage for that particular type of crewman in that particular run. There has never been any administrative cost because the statute has never been declared.

DR. SOLOMON: A. Well, this is, of course, largely a matter of personal preferance. Some people prefer one system and some another. I do think wages are fixed on the market in spite of the fact they can be negotiated from year to year.

MR. MUNDELL: Q. Supposing a United Kingdom shipowner agrees to pay standard wages not lower than the amounts provided by the collective agreement and therefore you would have one single standard while he is in the Great Lakes.

DR. SOLOMON: A. I would say it is a pity. We would have to give up the opportunity to buy something cheaper than we can get it here.

Q. So your objection is not administrative, it is in the form of protection.

A. Administrative difficulty would abound and likewise I think it is a pity.

Q. It is paying more for that than we have to.

A. Yes.

Q. Your objection to it is it is a form

of protection.

A. Yes, it is a form of protection in effect.

Q. You have suggested that the competition on the Great Lakes might not be as effective without the U.K. ships as a potential being in the St. Lawrence than it would be with them. Might that not be by regulation, the fixing of rates?

A. I do not like the forces of regulation where they are not absolutely necessary.

Q. So then that is your objection, regulation?

A. I think it is an inefficient method of doing it.

Q. What about the possibility of eliminating the conference lines and that sort of thing by bringing them under our Combines Act or would not the forces of competition be as effective then, or is that the same argument you had before?

A. No, I do not think the lack of competition is due to collusion. I am quite sure these prices are determined independently.

Q. You have four large shipping companies who say they compete fiercely. Do you say it is not as effective competition if the U.K. ships cannot compete?

A. Potentially they could.

THE CHAIRMAN: Q. What does "potentially" mean?

A. It means if by accident our four

Canadian shipping companies decided to raise the prices 20%.

MR. MUNDELL: Q. There is no collusion?

A. Purely -- just like the automobile manufacturers decide they want to raise the prices of cars, there is no collusion. It can happen. Then this potential competition would come into play.

THE CHAIRMAN: Q. I am afraid I am a little cynical, but let us assume this accident did occur and these ship operators did increase their prices at the same time. Then you say that this United Kingdom competition is necessary in order to act as a policeman.

DR. SOLOMON: A. Yes, providing more effective competition.

Q. The policeman would only work up to the point or rather beyond the point where the efficiency of the Canadian laker would exceed that of his United Kingdom competitor.

DR. SOLOMON: A. Yes.

Q. But they do act separately?

A. Yes.

MR. MUNDELL: Q. Provided there is no effective competition below there. What I am trying to bring out is why you think the competition is not effective.

A. I don't know it is not effective. I think it is only effective where you have a fraction of the free market.

Q. I am suggesting to you since it would

not matter on the bulk trade and since you accept it on the package trade, might it not be necessary on the defence question?

A. No, I think the defence question should be met squarely for what it is.

THE CHAIRMAN: Q. You see, Dr. Solomon, you have given as an expert your opinion, with the very strong reasons that the U.K. competition is not effective and cannot be effective because of the Canadian lakers. I point out to you that there are no new ships on the ways at all. The St. Lawrence River is proceeding to completion in 1958 so that the wise shipowner would be out to order a new 780-foot vessel like the McLagan and the Scott Misener, but there is not one on the ways in this entire country.

A. I am not certain if United Kingdom competition is effective even in spite of the efficiency of our Canadian-type vessels. I would rather say they are not going to get 100% of the market. They might make an inroad into the market. This would require diversion of some Canadian workers to other industries.

MR. MUNDELL: Q. You are prepared to face that.

A. I am prepared to face that. I think it is very desirable if conditions are such as we pointed out.

Q. Then if I might summarize your position as I see it. You have two premises. One is lower costs should result in lower rates, and the

second is United Kingdom competition will not be effective.

A. I am not absolutely sure. I certainly do not think they will make an inroad so that they will get 100% or even 50% of the bulk trade market but they might make some inroads. It depends very much on the efficiency and prices and policies of our local companies.

THE CHAIRMAN: Q. Now, when you are making these statements are you referring to the competition by ocean-going types of U.K. vessels?

A. Both.

MR. MUNDELL: Q. In any event, as I understand it, if the lake vessels can compete more effectively, well, you feel the U.K.'s presence in the background would be good competition; on the other hand, if the U.K. are going to be more effective you are prepared to let that section of the Canadian shipping go to the wall subject to what should be done as a direct defence measure?

A. Yes.

Q. That really summarizes your position.

A. Yes.

Q. Would it be fair to say that virtually all your submissions here are based on the premise of lower costs, meaning lower rates and that one premise.

A. Well, it is not a premise. I know there are going to be lower costs. Lower rates are a desirable thing that should follow lower costs.

Q. Your premise is lower costs should bring -- I do not want to be critical of you, but you are going to let the Commission have what the results of your research were in showing the lower cost.

A. Yes.

MR. MUNDELL: I think that is all I have to ask.

MR. GERIN-LAJOIE: Q. Dr. Mayer, I think you mentioned that the lake-type vessels not Canadian would not be introduced in large numbers on the St. Lawrence River or Great Lakes because they would not be suited for diversion to other areas. In this argument do you consider the case of ships being built in Britain, for instance, and being registered in Canada afterwards because, of course, we have to consider cases not only of British-built and registered vessels, but those of British-built and later on registered in Canada.

DR. MAYER: Yes. Well, if they are permanently in Canadian waters in the coastal trade and registered in Canada but were physically built elsewhere and transported, if that were possible -- I still feel that the specialized lake-type would not be suitable for any other sea in the world. They would be confined effectively to the area of the St. Lawrence River and the Great Lakes regardless of registration.

Q. Ships built in Britain, for instance, or somewhere in Europe, let us take the case of Commonwealth-built vessels for the time being, the

cost of amortization would be lower than for Canadian-built vessels because the capital cost would be lower.

DR. MAYER: Assuming that the vessels are of identical construction, yes.

Q. Regarding the prospects of great activities in the shipyards at present, I wonder if you would have anything at all to say because this Commission has been told, particularly in Port Arthur and elsewhere -- let us take the case of the Great Lakes shipyards for the time being, that they do not have any prospects for ships for the time being and that the employment in the Great Lakes shipyards is at its lowest since the war. Midland, I believe, for instance, has just closed. I wonder how this can be reconciled with your statement that there are prospects of great activity in the Great Lakes shipyards. Maybe you have some other information or you have another point of view.

DR. MAYER: A. Well, there are several factors. In the first place the Seaway will not be available till the navigation season of 1959, which is four years away, so that a great deal could happen in the way of advance orders for the next four years.

Q. So the prospects of great activity which you have mentioned are only for a few years hence, or are they for now? I am just trying to find out exactly what you have in mind.

DR. MAYER: A. I think there are prospects

of substantial activity over an indefinite period of time, depending upon the general level of the world economy and the demand for both merchant and naval vessels throughout the world. This, of course, is a matter of great uncertainty. It is one of the elements. Another element is that the increase in traffic which will follow the completion of the St. Lawrence Seaway but the maximum demand for vessels for use through the Seaway will not occur for some years after the Seaway is opened, so it will be a matter of a gradually increasing demand rather than the contrary.

Q. How would you reconcile your view then with the absence of orders from Canadian shipowners in the shipyards?

A. I think that many of the ship operators are adopting a wait-and-see attitude, uncertainty as to the future.

Q. How would you explain the situation, the position of wait-and-see?

A. Well, I would say that a ship represents a very substantial investment in a single unit, several million dollars at least. I think that the shipowners are unwilling to take the risk at the present time until they see the nature of the development in the immediate future.

Q. I wonder what reason you would say for the position now in Canada if the Canadian shipowners do not fear the competition of British shipowners?

A. I am afraid I do not understand the question.

Q. Well, if the owners of Canadian-built and registered ships do not fear the competition of British-built and registered ships, how would you explain that the Canadian shipping companies are not placing any orders for new ships in view of the prospects you have mentioned and in view of the absence of fear?

A. I think the competition that would occur from outside Canada is only one among many elements that will affect the market for bottoms to be used on the Lakes or anywhere else for that matter. That is one amongst many elements, the general level of the economy, the future of the ore freight or the shifting sources of raw material, the shifting location of industries and so forth. It seems to me the factors which will affect the demand for these bottoms are very complicated and properly are the subject of discussion and investigation of a Royal Commission on the Economic Development and other agencies which are probably beyond the scope of the coasting trade per se. I would say that the element of foreign flag competition in the Lakes is a small part of the total picture.

Q. Does that mean that the prospects of greater activity in the shipyards are not as clear as I seem to think after your testimony and that these prospects would be determined only after the Commission on Economic Development of Canada has

filed its report?

A. No, I did not mean to imply that nor did I say that I believed that the prospects were immediate for very great activity in the Great Lakes shipyards. What I said was there are considerations, which I named, which would make the prospect in the Canadian Great Lakes yards not as dark as some people believe.

DR. SOLOMON: May I interject something here?

MR. GERIN-LAJOIE: Q. Quite so.

DR. SOLOMON: The decline in the shipyards employment between the peak years, April 1953 and April 1955, which is the latest date for which we have statistics, is part of the general decline in the employment in the Canadian economy, confined largely to durable capital goods. It is not considered a greater decline than the manufacture of aircraft and parts generally in similar industries nor in the manufacture of motor vehicles, parts and accessories, nor the decline in the railroad and rolling stock equipment. I can give you the exact comparison here. I can get you the comparative decline if you want.

MR. GERIN-LAJOIE: Q. Do you mean to say that the decline is about of the same order ---

DR. SOLOMON: A. Yes.

Q. In the shipyards and in the automobile industry?

DR. SOLOMON: A. No, motor vehicles -- automobiles is the one industry that have had 1955

employment higher than 1953; motor vehicles; but motor vehicle parts and accessories, aircraft parts and railroad rolling stock, the shipbuilding and repair, have all declined considerably. Now, the railroad stock, for example, has never been exposed to foreign competition.

Q. You have not the figures in July 1955?

DR. SOLOMON: No, I do not.

Q. The Commission has received information that a number of shipyards have just completed work on ships. That was the case in one of the Maritime Provinces and that is the case in Port Arthur.

THE CHAIRMAN: In Collingwood they have just completed a new package freighter now but that was the last order they had in the yards.

MR. GERIN-LAJOIE: Q. They did not have any orders to justify any prospective work ---

DR. SOLOMON: This movement, you know, of employment from capital durable goods, which we had back in 1932 and 1933 on several aspects of the economy, has happened throughout the United States so that where we have a terrific boom now in employment in the States. I see by recent figures the structure of employment is totally different. You have many industries which were capital durable goods that do not have the level of employment in the United States like they did in 1952, but these people are not unemployed. They have gone elsewhere.

Q. Of course, this does not explain what

you mean by the prospects of more activity. That is my main point. I do not understand Dr. Mayer's statement this morning.

DR. SOLOMON: A. I do not know what Dr. Mayer was driving at. My understanding of that submission in the brief is that we are trying to drive at the fact that a nucleus as defined by the Canadian Maritime Commission was not yet being threatened.

DR. MAYER: There are many compensating considerations which would, over a period of years, create a demand for bottoms to be constructed in the Great Lakes shipyards which may counterbalance other trends and would preserve the employment in the shipyards at a level above the nucleus defence requirements.

Q. Of course, for the time being I am not relating this matter with the defence matter. It is only on this point of the prospects of great activity and that is not a defence matter for the time being. I do not have in mind the nucleus part of that. According to the information the Commission has had put in there is a decline and there are no prospects of a recline, shall I say.

DR. SOLOMON: The same thing was felt in 1948. If you will look at the Canadian Maritime Commission report that we have outlined in general, between the peak of 1948 and the spring of 1950, the decline in shipbuilding and repairing then was of much greater magnitude than what has just taken place between the spring of 1953 and the spring of

1955; much greater. It fell from an index of 144 to an index of 91, almost 50%, and it reclined, recovered, pretty well, or doubled within two years.

THE CHAIRMAN: Q. Well, there were two reasons for that, special reasons, and one was it was artificially stimulated by orders for Government ships both naval and Department of Transport; and the second was the occurrence of the Korean War and the great demand for bottoms.

DR. SOLOMON: A. I think, sir, -- I feel, sir, that we did not see the 1955 boom coming on and so we do not know what is going to happen in 1956 or 1957. One can only guess, not take action, until something is threatened.

COMMISSIONER WICKWIRE: Q. Just a minute. Do you not feel that that naval programme and departmental programme had a great deal to do with the recovery in 1950?

Dr. SOLOMON: A. It had a great deal to do with that recovery definitely in the shipbuilding and in other aspects of the American economy. I know in 1949 when we had this decline in employment in the building industry people were saying, "We are back in the 30s". They said it again in 1954. The motor vehicle industry, which is a sort of growth industry, was very unhappy about what was going to happen in 1955. The size of demand has alarmed them.

Q. You want another little war to boom things up.

DR. SOLOMON: A. I do not like wars but tensions create demand. If we get people unemployed in the shipyards and there is nowhere for them to go then I will abandon all my talk about efficient employment and say the first task of this country is to employ these people inefficiently or efficiently, but as long as that necessity has not yet arisen, I think our goal should be efficient employment, not just employment.

MR. GERIN-LAJOIE: Q. Regarding the point also of Canadian labour, what would your view be on this problem that has been put before the Commission; for instance, in Port Arthur the Commission was told that a number of employees at the shipyards had done their job for ten or fifteen or twenty years and had developed skills, specializing in many cases, and had to be laid off very recently. Of course, they have to lay them off and naturally they would have to look for a different job and that is not, at their age, too easy for them to do. What would your view be of this problem? Is that something that we have to do or is there any other answer to this problem?

DR. SOLOMON: A. I think that is something we have to face; when certain industries decline relative to other industries some people are going to have to shift or move to another industry, and usually the shift is for the better because the higher productivity industries provide more security and higher wages. I think a good example of

that was in the textile yards in New England. Here we had a whole area depending upon a dying industry, relatively dying industry, which was moving to the South. Well, they could have put a barrier between the South and North, trade barriers. Wage differentials existed but what happened was that the entire industry moved away and the result was a new industry moved in, a thriving electronics industry which does not need protection against anything, so that you do not have to move a large number of people from Port Arthur and send them away unless they want to go. I think industry will move in.

Q. Do you say that in any place where there is a shipyard, industry would move in automatically or it will take a great foresight on the part of a business man to persuade them.

DR. SOLOMON: A. Well, shipping may diversify. Some of them have already done so in some yards.

Q. I would like to turn to another point, that is the dollar earnings matter for Britain. Do you have any figures as to the importance of this factor? It has been mentioned in many briefs to the Commission and I wonder how important a factor it is from the point of view of exports from Canada to Britain.

DR. SOLOMON: A. I have no exact figures. I do know that Britain buys from Canada more than she sells to Canada and I think from that we can conclude that Britain's buying power is limited by

her dollar earnings, and if the dollar earnings are subtracted, therefore that means there must be a loss of purchasing from the hard currency areas.

Q. Do you have any idea of how important in dollars this matter is?

DR. SOLOMON: A. That is one factor.

Q. Yes.

A. No, I do not know.

Q. In the brief of the Province at page 3 you mention the possibility of retaliatory measures from Britain. Have you any measures particularly in mind?

DR. SOLOMON: A. She might decide if the Commonwealth nations begin to cut her off that maybe she might enter into little agreements with Norway or some such agreement where they do not need hard currencies to buy things.

Britain needs a bigger trade area than she now has. She is too small a country to exist on her own. She can buy lumber from Norway. She can buy wheat from Poland if they have any left there.

Q. Is it your opinion that some of the goods Britain buys in Canada are not bought just because it is good business for Britain to buy them in Canada?

DR. SOLOMON: A. It is indeed good business. Canada is a good supplier but you cannot buy something if you do not have the money to buy it with.

Q. So this comes back to the question of dollar earnings?

DR. SOLOMON: A. Yes.

Q. Before going to this question of the military argument I would like to have a few clarifications on this question of port facilities at the Lakehead. First of all, do you have in mind the Government should undertake these matters, or do you think that private enterprise should do it?

DR. MAYER: A. Well, I have no preconceptions either way. I think that it is essential that certain improvements in port facilities be undertaken. I do think that investigation is necessary to determine the method by which such improvements would be made, whether by private or public funds or a combination of the two.

Q. Would you have any view as to who should pay for these improvements if they are made, or do you think they should be paid by the users of the facilities?

DR. MAYER: A. Yes.

Q. Or be a payment by Government funds or ---

DR. MAYER: A. No, I think that insofar as it is economically feasible the users should pay for the facilities where they are all publicly operated.

Q. Would you expand this point of view to the whole Seaway and all the water transportation facilities of canals and not only the deepening of the Seaway and new work on existing facilities, and also any improvements after the Seaway is

completed?

DR. MAYER: A. I would say in part I think certainly the charge of tolls to pay for the Seaway is entirely justified; this is a user charge, but also that on certain other facilities, which are accessories to the Seaway, such as the connecting channels in the Great Lakes, should not be subject to charge because we have a difference here between the international and primarily domestic concern.

I think that the benefits of the lower cost transportation which would result from these facilities would accrue to a wider segment of the national economy. Therefore I think the expenditure of a certain amount of national funds on some of these facilities would be justified.

If they could not immediately pay for themselves directly, they would pay for themselves indirectly by a stimulated additional economic activity.

Q. How would you determine what part should be paid by the users and what part by Government funds?

DR. MAYER: A. I would say that if private capital can provide the facilities and achieve a reasonable rate of return, including a reasonable profit, from either the building or the operation or both, then private capital should be permitted or encouraged actively to do the job.

If, on the other hand, private capital can do part of the job stimulated by a certain amount of public participation, then I think that that

should be done. I think that public funds should be resorted to only where private funds cannot be available to do the job and where the benefits would be more indirect than direct.

Q. At the present time I am considering the whole Seaway project.

DR. MAYER: A. Yes.

Q. That is from Montreal to the Great Lakes. Well, do you say that the cost of this should be borne partly by the taxpayers and partly by the users?

DR. MAYER: A. Yes.

Q. Do you know or do you have any view as to what part or how would you determine what part should be paid by the taxpayers and what part should be paid by the users? Do you have any principle you would apply there, or how would you decide that?

DR. MAYER: A. I would say this, that insofar as charges against the user would not discourage the full utilization of potential traffic that would use the Seaway, such charges should be made against the user.

Q. How would you determine that? I have in mind the competition of the railroad.

DR. MAYER: A. Of course, there is the competition element of the railroad. I think that the Commission which is now investigating the level and character of the tolls to be charged for the use of the St. Lawrence Waterway is going into these questions with very great detail and very

meticulously. I understand they will have the determination within the next couple of years. I would say I would be less competent to give such determination than the Commission, which is specifically designated to do so, but your original question was with relation to the port facilities.

Q. I am considering the whole Seaway project actually. I wonder what part of it should be borne by the Government. That means actually in addition to subsidizing the Seaway it is subsidizing water transportation which competes with rail transportation which, in turn, is subsidized in a certain way by subsidies being paid and so forth by the Government. What is the purpose of having everything subsidized?

DR. MAYER: A. Well, everything is not subsidized. As a matter of fact, the carriers themselves are not subsidized, the water carriers. I would say that the Seaway is partly justified on defence grounds to that extent. This is a charge against the nation which should be paid for by public funds. I would say the commercial aspects of the Seaway proper should be self-liquidating as indeed they will be.

Q. Now, I have only a few questions about this military argument. Do you take it for granted that the seven thousand nucleus of employees in the shipyards mentioned by the Maritime Commission is the figure to start from for any argument? You have not studied this question of nucleus

yourself?

DR. SOLOMON: A. No, I have not. I am no military expert.

Q. You have no idea of whether this nucleus is really sufficient?

DR. SOLOMON: A. One can only reason from analogy really. We have not had an opportunity of knowing what we will have to accomplish in ships. To make this guess is away beyond my particular competence certainly. Some people have to make these decisions. We have a system of Government with very competent people who make these decisions and they say seven thousand, and I am willing to accept it.

Q. This is not criticism of you at all, but this is a matter that has to be determined by the Commission or investigated by the Commission at any rate. Of course, all of the figures may be changed if this one is changed.

DR. SOLOMON: A. Certainly, yes, but as one reasons by analogy from the way which we expanded our shipyard employment in the last war, we expanded it very rapidly. I have some figures right here which I think show the speed at which it was expanded.In 1939 the index of employment in shipbuilding per capita was .29, by 1943 it was 531, an enormous expansion.

Q. The shipyard owners have explained to this Commission that now the skill required in the shipyards is particularly much more specialized than it was at the beginning of the last war

and if they do not keep their nucleus they cannot probably do what they did in the last war as quickly as they did. Of course, this is just an opinion, but it is an opinion which has been expressed to the Commission.

DR. SOLOMON: A. Admittedly ships are more complex but the skills of the people who are not in the shipbuilding are not exactly being wasted. Some of them have got into some particular essential industry like electronics which is a large complication introduced into the shipbuilding business. It is better for them to be employed in electronics now than doing shipbuilding, maybe.

Q. You have mentioned the possibility of subsidies from the Government which would be considered as defence costs even if it is half the price again of constructing ships in Canada compared to Great Britain. Would you also favour operation subsidies as well as construction subsidies?

DR. SOLOMON: A. If and when the nucleus of operating skills is deemed to fall below the minimum required.

Q. You do not see too great difficulties in determining the amount of subsidies to be paid?

DR. SOLOMON: A. I think it is a difficult matter.

Q. Yes?

A. Yes, I think it is a difficult matter that must be faced, though.

Q. Because I have in mind your statement

on the forces of the markets which should be allowed free as much as possible. I was wondering in this case if the same economic forces would not apply and leave the forces of the market in Canada, whatever the cost is, really against each other.

DR. SOLOMON: A. No, not where defence is concerned. There is no reason to put a market value on defence.

Q. Of course, it is not a market value on defence. It would be a market value on construction and operation of the ships in that case.

DR. SOLOMON: A. I do not think it would be an insuperable problem.

Q. Do you have any information as to how the protected system has worked in the United States regarding coasting shipping, what effects it had on the shipping itself against the effectiveness of the coastal shipping?

DR. MAYER: A. Of course, this is a very difficult question to answer for the reason that the United States has always had complete protection for its coasting trade, so there is no yardstick by which to measure the changes as there would be if protection had been begun at a particular point of time, but the fact of the matter is that the coastal shipping in the United States has been steadily declining through the years, so that the total number of ocean mileage of coasting shipping now is some thing like one-third of what it was pre-war.

Of that one-third a considerable increasing

proportion is carried by tanker traffic, which is highly specialized and which is carried in industrial-owned vessels which would probably carry oil or petroleum products in any event.

In other words, the coastal shipping in the United States has for many years been on the decline, the passenger and package freight and the coastal trade are completely disappeared.

Q. How does this compare with the development in the rail transportation?

DR. MAYER: A. Well, the rail ---

Q. Has there been any decline or has it kept steady?

DR. MAYER: A. Well, in rail transportation we are dealing with a homogenious thing. We have freight, Western cargo, passenger and so on. The passenger traffic, of course, has been declining both relatively and absolutely. The freight traffic ---

Q. I have in mind the freight. I wonder if the decline on coastal shipping for transportation of particular goods from one point to another has been replaced by rail or something else? I wonder if the decline of coastal shipping has been compensated by transportation by rail of particular goods from one particular point to another, or have you any knowledge or information on this point?

DR. MAYER: A. Well, I do have information in a general way, although I have no statistical data available immediately. The decline in coastal shipping has been largely produced by diversion

to other forms of transportation, particularly the motor truck rather than by rail which, in some regions, has been holding fairly steadily and in other regions has been slowly declining.

The proportion of rail to total transportation movement in the United States has declined within a period of -- just a few decades from virtually 100% down to just about 50% of the total freight movement nationally at the present time.

This proportion, however, is a relative one not in terms of absolute tonnages against growth and the total volume of movement has been reflected largely in an increase in new forms of transportation, the motor truck, the pipeline and the airways particularly, but the coastal freight movement has been declining more rapidly than the competitive forms of transportation in virtually every instance.

Q. Would you be in a position to supply the Commission with the gross figures on this question of the relevant tonnage in volume of movement by water, by rail and by truck or other modes of transportation within the United States, or would that be ---

DR. MAYER: A. I will be able to do that as soon as I return to the United States, yes. I will forward that.

MR. GERIN-LAJOIE: Thank you, Mr. Chairman.

THE CHAIRMAN: I think this would be an appropriate time to adjourn.

---The hearing recessed at 3.35 P.M.

---The hearing resumed at 3.50 P.M.:

MR. MUNDELL: Mr. Chairman, I understand that counsel for Dominion Marine Association wishes to cross-examine, to be followed by counsel for the Canadian Pacific Railway, to be followed by Mr. Jackson as counsel for the shipbuilding people.

THE CHAIRMAN: Yes, proceed, Mr. Gerity.

MR. GERITY: Thank you, Mr. Chairman.

Q. Mr. Mayer, I shall address my questions to you in order to assist the reporters. Dr. Mayer, I represent the Dominion Marine Association. I have read your submissions to this Commission with some interest. First of all, I would like to ask you this, according to my present records there are 432 United States ships on the Great Lakes. You do not suggest that there has been any decline in the coasting trade of the United States on the Great Lakes, do you?

DR. MAYER: A. No, not on the Great Lakes.

Q. I suppose you are aware that the combined fleets carry something in the order of two hundred million tons of cargo a year. Do you agree with that?

A. By the combined fleets you mean the United States and Canadian lakers?

Q. That is right.

A. Yes.

Q. Would you agree with me that the commodities carried are essential to the industry of North America?

A. Yes.

Q. Now then, the United States, if I recall correctly, has protected its coasting trade since the year 1817, is that not so?

A. I believe it is, yes.

Q. Would you suggest that in the United States, for instance, that that very great carrying trade should pass through the hands of foreigners and others whom you may not control?

A. I don't believe it would.

Q. Well, supposing it would. Would you suggest that, if foreigners could do the job cheaper, do you suggest that the United States should allow that bulk carriage trade to pass into their hands?

A. Not totally, no.

Q. Would you agree with me that the United States is quite unlikely to allow that to happen?

A. Quite so.

Q. Now, I suggest to you that the decline in the coasting trade of the United States, outside of the Great Lakes, is almost entirely due to two causes; firstly, the development of trucks and good rails, and secondly the very high cost of handling charges in the American ports. Is that not the real reason why the East and West Coast fleets disappeared?

A. Those are two of the reasons. There are also additional reasons.

Q. Is the law of the United States one of the reasons?

A. I do not understand your question.

Q. Do you say it was because of the restrictive laws of the United States?

A. No.

Q. Now, if I understand your joint thesis properly, it is this: that the Great Lakes bulk carriage is in a good competitive position with any ocean carrier that may possibly want to carry cargo on the inter-lake ports. Is that so?

A. Yes.

Q. Of course, if an ocean carrier did come to the lakehead it would be hardly likely to load grain for another Canadian port, would it?

A. Rather unlikely but possible.

Q. Well, I suppose everything is possible, but what is your opinion?

A. I think it will happen to a very limited extent if such vessels were to be in the Lakes.

Q. Now then, you know, of course, that the Great Lakes carriage trade is restricted to at the most ten months of the year or eight and a half or nine, is that correct?

A. Yes. No, not entirely. Trade between the Lakes is restricted. There is a possibility of trade within any given Lake or ---

Q. It is usually restricted to small tankers, is that right? There is not a large movement on the Lakes in the winter months.

A. There is a very extensive winter handling of rail car ferries across Lake Michigan.

Q. You mean from Milwaukee to Muskegon?

A. Among other ports, yes.

Q. Of course actually from Windsor to Detroit there is not a great deal of bulk commodities on the Lake in the winter.

A. There is extensive movement of petroleum products.

Q. That is what I said, small tankers.

A. Yes.

Q. The interest here generally on the Great Lakes, however, is bulk carriers.

A. Well, the typical bulk Lake carrier is laid up for two or three or four months a year, yes.

Q. I suppose you are aware of the fact that the United States does not permit foreign ships to pass through the McArthur Locks?

A. Yes, I am aware of that.

Q. Of course, you are aware of the fact that the Canadian Lock is not big enough to take the larger sized vessels?

A. This is true.

Q. So that as the law of the United States now stands, the larger vessel, Seaway or no Seaway, cannot get into Lake Superior unless it is Canadian or American.

A. As I understand it, there is a restriction against non-United States and non-Canadian vessels passing through the McArthur Lock, that was a wartime security measure which has not been rescinded.

Q. The next proposition I think you put to the Commission was this, that if the Lake-type vessel was built on the other side of the water it must necessarily -- I mean in the United Kingdom or Germany or a North European port -- it must of necessity not be competitive with a Canadian Lake ship. Is that correct?

A. Yes.

Q. And of course we recall the fact that it is a nine and a half month season. I would like to quote to you from a brief of what I suppose will be a body that understands this business, the Shipbuilding Conference of the United Kingdom, brief B.25, page 4, which says as follows:

"It would appear that with the completion "of the Deep Waterway, there will be an im-"portant change in the type of ship that will "be used in the trade of the St. Lawrence. "It is anticipated that a demand will develop "for specially designed large bulk carriers "suitable for year-round trading, for ex-"ample, to transport grain from the head of "the Lakes to the lower St. Lawrence ports, "returning West-bound with ore from Seven "Islands; and also adapted for other trades "outside the St. Lawrence during the winter "months.

"For building of ships of these "types, the shipyards of the United Kingdom "are most adequately equipped and

"experienced."

Do you think that is a fairly accurate statement?

A. Well, I think to a certain extent this will probably occur.

Q. From the source from which it comes it should be a fairly accurate statement. That means, therefore, that United Kingdom interests are willing and able to build ships for year-round operations. They do not have to stay in Canada, they do not have to have their crews ashore here. Do you suggest under these circumstances they must necessarily pay Canadian wages?

A. If they are to operate in Canadian waters for eight months of the year I would say that my statement that the pressure to raise wages of the Canadian labour will still be applicable.

Q. There have been two witnesses before this Commission in Newfoundland, Mr. Rees, a shipping man with forty-three years' experience with one of the largest shipping organizations in the world, Furness, Withy. We had Mr. Tregenza who operates a small chartered ship line to Newfoundland. They both agreed with me, as the record will show, that they have no difficulty in paying British rates of wages to the crews they employ. In fact, Mr. Tregenza went so far as to say he had one ship on a ten-year charter with Scotsmen who are not supposed to be agreeable to taking small sums of money. How does that affect your view?

A. I do not think that this is contrary to my view. I think that if vessels come into the

pg. 1 Lakes for a substantial portion of each year with
2 any degree of regularity there will be pressures
3 not only on the part of the personnel of such vessel
4 for higher wages but also pressures on the part of
5 shore-based personnel, who are members of the same
6 large union organization as some of the ship's
7 personnel, to maintain the Canadian standard of
8 living.
9 Q. That being so do you have any experience
10 of trouble with the union on the American coast
11 with Panamanian flag ships? I think a large
12 proportion of your fleet flies the flags of other
13 countries, does it not?
14 A. Not in the coastal trade.
15 Q. I know, but do they have any trouble?
16 THE CHAIRMAN: That is not the same point.
17 If they are not in the coastal trade then they are
18 just not within the ports. Dr. Mayer's proposal
19 was that if they were confined to the coastal
20 trade from one place in Canada to another place
21 in Canada for eight months of the year, they
22 would be subjected to pressure both from the
23 crews themselves and those who would unionize the
24 crews to get them on Canadian wages. Is that
25 your position?
26 DR. MAYER: That is correct.
27 THE CHAIRMAN: So whether or not a
28 Panamanian ship sails from Muskegon, Michigan
29 to New York it would not be the same thing.
30 MR. GERITY: I am leading up to something

else. With respect, I think the evidence of Messrs. Rees and Tregenza is quite acceptable to---

THE CHAIRMAN: What about the evidence of those two gentlemen? One was dealing with a line which made a circular trip back and forth across the Atlantic and then to Halifax and St. John's and the other one was dealing with a line from Toronto and Hamilton to Newfoundland which ended at the end of the navigation season where the crews went right back to England.

MR. GERITY: I think, Mr. Chairman, Mr. Tregenza said that one of his ships was on charter trade for Newfoundland and the United States coast for the balance of the year. I am quite sure with respect, that, Mr. Rees said he had two vessels trading from the North American ports to Newfoundland and not going elsewhere and one other -- I do not recall the name of the other one.

THE CHAIRMAN: That is the Red Cross Line.

MR. GERITY: The Furness Red Cross Line.

THE CHAIRMAN: Is that a year-round trade?

MR. GERITY: It is a year-round trade, Mr. Chairman. It is a company I have known for some years.

Q. In any event, Dr. Mayer, are you aware of what is known as the two-year article system? Have you ever heard of it?

DR. MAYER: I have heard of it.

Q. You do not know what it is. Well then, Dr. Mayer, if such a vessel as the British

Shipbuilding Conference describes, with year-round operation in front of it, could profitably employ itself in the Lakes, even if it has less capacity than our own ships, do you not think it will have a distinctive competitive advantage?

DR. MAYER: Not necessarily. They may have an advantage in the year-round operation but in order to secure that year-round operation there would have to be some structural differences which would make them less efficient than vessels specifically designed for Lake service.

Q. Yes, but will not the year-round operation cancel that out?

A. It may or may not depending upon the relative costs.

Q. You are not qualified as a naval architect, are you?

A. No, sir.

Q. Supposing I say to you that it is perfectly feasible to temporarily stiffen a Lake carrier and bring her across the Ocean, that that can be done, will you disagree with me?

A. I am not in a position to either agree or disagree but I know I have interviewed a number of competent ship operators and builders and we find a difference of opinion on that subject.

Q. Have you consulted any naval architect?

A. We have not, but it does appear to us that if that type of vessel that you describe, which would be a dual service vessel, so to speak,

was suitable for fresh water lake service or ocean-going service and were to be built abroad, there is no reason why the same type of vessel could not be built in Canada.

Q. Of course not, but would it be built for the same price?

A. It may not be built for the same price but it would share the advantage, whatever the advantage was, over the purely lake vessel being able to move out of the Lakes during the close of the season of navigation. Even so this would not be as great an advantage as the proportion of the additional time that the vessel would be available because if it went into salt water it would require more frequent dry docking and inspection and so forth so it would not be available for the whole year anyway; whereas the lake vessel, as I understand it, requires less frequent dry docking and inspection.

Q. The actual period of their inspection requirement is exactly the same. It is quite true, of course, a vessel does not get fouled in fresh water. I suggest to you that a vessel that is operating in salt and fresh water is possibly in the same position. In any event such a vessel as I have described and the British Shipbuilding Conference have offered to build, would you say my clients could compete with it in the Lakes trade?

THE CHAIRMAN: Offered to build?

MR. GERITY: I thought that is the tenor of their submission, Mr. Chairman.

THE CHAIRMAN: I suggest that is too strong a word. They did state they expected a demand for them and they could be built. I wonder whether their efficiency in constructing them is all they claim, whether they would not have to come over to your own shipyards and look at something about construction.

MR. GERITY: Mr. Chairman, with respect I do not wish to give evidence but there are ships of that class already built and constructed. In fact, there are two of them owned by ---.

THE CHAIRMAN: Where are they?

MR. GERITY: There are two ships, to the best of my knowledge, that carry iron ore belonging to the American Hawiian Line.

THE CHAIRMAN: Do they sail in the Great Lakes?

MR. GERITY: No, they do not. I say it is perfectly feasible that the British Shipbuilding Conference must be wellaware of the construction problems.

I submit, Mr. Chairman, with respect that I will call witnesses later as to these points. I do not wish to give evidence but none of these problems in ship construction are insuperable. People have sailed even to Sydney Harbour all the way from England to Sydney, New South Wales which is over 20,000 miles and still do to this

[illegible]

[illegible]

[illegible]

day. The great dry dock in Singapore was towed out by tugs. I do not think Lloyds have expressed any opinion of what insurance they would charge for the moving of a laker across the Ocean in the summer months.

MR. GERITY: Q. We have had some evidence formerly of fluctuation of ocean rates for trans-shipping. Have you made any investigation of that?

DR. MAYER: Not specifically.

Q. Well, would you agree that there was a fairly wide variable in the trans-shipment rates? I think Dr. Solomon called it volatile.

DR. MAYER: Yes, the fluctuation would be considerable from time to time.

Q. Do you not think that if a certain amount of that freight tonnage was to come into the Lakes from time to time the general rates, let us say, on grain would fluctuate and go up and down?

A. I do not believe they would go up and down as much as they would in the ocean trade.

Q. Even if they made their wage bill it would still keep them running, would it not?

A. Not necessarily. The cost of operation in the Lakes would be higher than the open sea so that other things being equal the trades in other parts of the world would have a competitive advantage over the lake trades for ocean-going tramp vessels.

Q. The tonnage rates for ocean-going

tramp vessels operating during the current year went up, did they not?

A. Yes.

Q. Even on the economical Liberty Ships which were in great demand, is that not so?

A. Yes.

Q. Has a Liberty Ship any value at all that you can put in dollars?

A. Well, it has a certain amount of value in the fact that it may be converted into a more advanced type of vessel or it might be a surplus ship in which the surplus grain of the United States might be stored.

Q. Well then to sum up what I have been getting at, Dr. Mayer, supposing that United Kingdom operators built lake vessels of comparable dimensions to our own, operated them with their own crews, do you think the Canadian operators could compete with them?

A. I think the Canadian operator in all probability could compete.

Q. Even with the higher capital cost and higher running cost?

A. There would still be the problem of the relative size of the units and the economy of the larger laker which would have a greater levelling than the combined type of vessel.

Q. Well, let me add one more factor. Are you aware of the fact that most of the iron ore cargoes are carried on long-term contracts?

A. Yes.

Q. Supposing that a United Kingdom operator had a long-term iron ore contract, even if he had the slowest vessels on the Great Lakes, would he not be in a far better competitive position?

A. Not necessarily because there is nothing that would prevent a similar contract from being entered into with the Canadian vessel operator.

Q. If you were one of the Cleveland iron ore importers and you got a lesser rate from a foreign or United Kingdom vessel, which would you take?

A. This would be a matter that would involve several other considerations, the vessels, the cost of the vessel per day, for example, the shipyards of North America constitute a very important market actually for the products of that steel manufacturer. This may be a very important consideration in the iron ore trade.

Q. It may be in the United States but I suggest to you the evidence of one of the executive directors of the Dominion Coal and Steel Company, if that is of any use, it is not a consideration with him anyway. You would not have seen his evidence but I might mention that the executive director of the Dominion Steel Company appeared before this Commission and on that same problem he gave the case for retaining British ships in the coastal trade so obviously he was not interested in marketing any steel, was he?

A. Perhaps not.

COMMISSIONER WICKWIRE: It may have been, Mr. Gerity, that the consideration of taking coal from Cape Breton to St. Lawrence outweighed his steel requirements.

MR. GERITY: Well, Mr. Wickwire, I might suggest that they are paid a subvention for the laid-down cost of coal at Montreal. I do not know how it works. You may recall the witness did not seem to know very much about the subject.

Q. You say here in your brief, gentlemen, "All types of carriers will, in the long run, share in the increased level of commercial and industrial activity that will be stimulated by the reduction of costs over the Seaway Route, and the subsequent increase in the total volume of traffic." If I recall your evidence correctly your position was that in a dynamic or expanding economy that must inevitably be so, is that not so?

DR. SOLOMON: Yes. May I answer some of these questions?

Q. Yes, certainly.

DR. SOLOMON: Yes.

Q. What increase in the level of population of Western Canada would you need to stimulate this flow of traffic to the Lake Head?

A. Population is not the only factor. Per capita expenditure is another factor. I would rather see the Canadian economy expand

three or four per cent per annum compound and take my chances with competition than to see it stagnate and have a monopoly of the entire market.

Q. You do not think that an increase in the level of population is going to do that, is that correct?

A. Oh yes, it is. It is not the only thing. An increase in the per capita expenditure is another.

Q. Do you suggest that Newfoundland, Nova Scotia and New Brunswick will also share in this stimulated level of activity?

A. Hope so.

Q. That does not seem to be my recollection of the evidence that was given in those Provinces.

A. They have the newsprint industry. If they can market that, they can expand.

Q. I think you suggested, Dr. Solomon, that a certain number of workers might find themselves better employed in the newsprint industry?

A. Yes.

Q. Do you not agree with me the Southern mills of the United States are gradually if not actually threatening the Canadian pulp and paper companies?

A. Threatening is a strong word. If you are to compete---

COMMISSIONER WICKWIRE: Q. Is not one of the biggest paper mills in the world the one that

Bowater built?

A. Bowater, yes, it is.

Q. And they also have one in Corner Brook, have they not?

A. I don't know about that one.

THE CHAIRMAN: It is the largest one in the world.

MR. GERITY: I thought the Southern United States was.

THE CHAIRMAN: No, I think the witness said they were the largest in the world.

DR. SOLOMON: It is a billion-dollar industry, I might add. We should not prejudice it.

MR. GERITY: Q. It is the belief of you gentlemen my clients are not threatened by any possible form of competition in the Great Lakes. Is that a correct statement?

DR. SOLOMON: Again you use the word "threatened". I say they are not threatened with complete disappearance. They are threatened in the mildest sense of the word with potential competition.

Q. Would you agree with me these operators who have all given evidence before this Commission, each and every one of them has said they cannot compete with British ships in this trade. Do you disagree with me?

A. I would say the share prices of these companies have not fallen excessively. If the common investor agrees otherwise the market would

be dropping. It has been doing splendidly from what I see.

Q. You then say that your statement is that all of these operators are wrong?

A. No, I think they are justified. There are going to be inroads into their market. They are going to have to become even more efficient than they are.

Q. Do you know, Dr. Solomon, what the state is at the moment?

A. Shipbuilding?

Q. No, ship operations on the Great Lakes. Take the particular problem of this Province where we are.

A. I think ship operating is now at a lower level than it has been since 1950.

Q. Do you know ships have been tied up at the lower elevators since July 2nd awaiting discharge? Did you know that?

A. No.

Q. Did you know that my clients are not paid any demurrage on holding these cargoes for indefinite periods of time?

A. No, I don't know much about the technicalities of ship operations.

Q. Did you know that ocean operators in the world will never make a contract without what is known as demurrage?

A. No.

Q. If I tell you that is so would you

disagree with me?

A. No, I would agree with you.

Q. Would you agree with me that the Great Lakes bulk carriage fleet has served this Province extremely well?

A. Indeed it has.

Q. You will agree with me, I think, that they do compete with each other?

A. I do.

Q. Then, when we all have to pay union rates our costs increase every year?

A. Quite.

Q. You know, of course, the Board of Grain Commissioners controls the ultimate price?

A. The maximum price.

Q. You know also that the transport controller controls the movements of ships if and when necessary?

A. Yes, I do.

Q. You know also that all these ships are privately financed and owned?

A. Yes.

Q. Do you suggest that that fleet should be put in a position where its existence is threatened by foreign competition?

A. I do not believe its existence is threatened. Its rate of growth is threatened by foreign competition. If competition comes into a growing market maybe the U. K. people will get a very large share of the growth of the market.

Q. If a vessel operating on the Lakes is larger than today, how much of a share do you think we should be prepared to lose?

A. This year is an exception. It has nothing to do with the United Kingdom in the sense that you have put it. I pointed out that several of the other industries are in exactly the same position. It has nothing to do with the St. Lawrence Waterway.

Q. I thought both of you gentlemen put it to this Commission that the building of the St. Lawrence Waterway would inevitably lower the transportation costs because of the non-transshipment and perhaps the larger size of vessel used. Would you suggest to me where bmy clients may look for the capital to build these vessels?

A. They seem to be doing pretty well with retained earnings.

Q. Would you tell me where we could find the capital? Supposing we have no guarantee of products or freight?

A. Unfortunately I have not followed the financing of these companies very closely but at least the company's earnings have not disappeared. During the last few years they have received a very favourable rate of interest. That means the market estimates it is a pretty sound industry not yet threatened with extinction.

Q. Do you think the market can control whether or not they may be threatened with

extinction when the Seaway is put through.

A. If the ship owners themselves make these statements, I am quite sure the shareholders read the statements.

Q. This Commission has only faced these issues since July of this year. Where would they read the statements?

THE CHAIRMAN: You know very well we have all been reading them for years.

DR. SOLOMON: I think the existence of the Commission is in part due to the statements made about the extinction of the industry.

MR. GERITY: Q. You do not think the United States is likely to change its coasting laws, do you?

DR. SOLOMON: Oh no, I do not think they will ever change.

Q. Now, you spoke, of course, of the advantages of a competitive economy. Have you any remarks to make about the way wheat is handled in this country which is the principal product my clients carry. Is that a competitive situation?

A. Not exactly, no.

Q. I have only two more questions, Mr. Chairman. Dr. Mayer, you spoke about the possibility of the users paying some share of the canals and tolls and so on.

DR. MAYER: Yes.

Q. What do you suggest we ought to do about the Welland Canal which is free at the

present time to everyone?

A. Well, I think that probably should remain free.

Q. You think what?

A. I think that probably should remain free. It was built as a free canal. There is no particular reason for changing now.

Q. I think you said that there would be much faster transportation down the Lakes when the St. Lawrence Seaway was opened, did you not?

A. Not down the Lakes, through the Seaway.

Q. You know, I suppose, that the Welland Canal is practically at capacity now.

A. We found differences of opinion on this subject. We found estimates of capacity varying from the approximate present traffic of 20 million tons a year to I think there was one figure of 46 million tons.

Q. Do you know how long it takes now to get through the Welland Canal at the present time?

A. Yes, I do. I have traversed the Canal a number of times myself.

Q. How long do you say the average vessel would take?

A. The average vessel is about eight or nine hours.

Q. I think the evidence before the Commission, if I recall it correctly, was 14 hours.

THE CHAIRMAN: That is one long period.

MR. GERITY: I think those were the state-

ments that were made. Perhaps that was the longest period.

MR. GERITY: Q. However, it was said before the Commission, I think by two witnesses, that they considered the Welland Canal to be at capacity now. What do you think?

DR. MAYER: I think that is a very controversial subject. I would not be prepared to make a statement as to what the ultimate capacity would be. I will say that at times there are delays in going through the canals during peak periods of traffic.

Q. When you speak of the proposed improvements to the Lake Head ports, I suppose you are comparing again the channels up locks which do not take 27-foot?

A. That is correct at the present time.

Q. So that very large expenditures will be necessary at Detroit, St. Clair and St. Mary's River, is that not so?

A. This is correct. I believe the current estimates of the United States Army Corps of Engineers is about $115,000,000.

Q. As to the portion you think the user perhaps should contribute, is that correct?

A. Not as to channels, just terminals.

Q. What do you mean by the users, the ship consignees or the ship owners?

A. I mean the vessel operators who, of course, pass on some of these charges to the shipper in the form of freight rates.

Actually it is possible to work out the portion, as I believe was proved in Chicago, of public and private interest in port terminal facilities. For example, in Chicago originally the Port District Board had the idea of a 23 million dollar port comprehensive terminal project which will be designed to handle lake, ocean and inland vessels. This will not cost the public one penny because it will be financed by the issuance of revenue bonds and they will be retired by returns derived from the private operators who will be provided with practical services such as are now customary at salt water ports so that this will be a public facility operated privately and it is a different matter than the channels. This is a practical facility. The channels, I believe, except for very unusual and very different expenditures, such as the Seaway itself, should be built free. I do believe that the Seaway policy of charging tolls to finance new construction is the fairer one.

Q. I think it is safe for me to say, gentlemen, your position is contradicted on this. If there is a sufficiency of competition on the Lakes then your clients or the Government should get some benefits, is that correct?

A. In the way of---

Q. Lower costs.

A. Yes.

Q. Is there any guarantee that the

farmer will get that benefit?

DR. SOLOMON: I think I answered that question this morning.

Q. There is no guarantee?

A. Yes, there is. There are two reasons. I pointed out the lower price of wheat to the consumer would mean either a lowerprice of wheat to the consumer, which would mean a larger volume market, or the direct benefit in the form of increased prices to the farmers. One of these two will occur.

Q. Inevitably if the grain rate falls below an economic level, one of the two things is either the wages of the crew must go down or the owners' profit must go down, is that so?

A. Indeed.

Q. If you were in a position today, as is the evidence which the Commission has had of the Great Lakes shippers, would you be interested in investing any money in a Great Lakes carrier?

A. My personal preference is not for this type of security but I think that the value that shareholders have been placing on these shares with relation to the dividends which have been paid, it is a good indication of how soundly the public thinks this security is. I think more people are buying these securities. I do think they feel it must be sound. I have no record---

Q. I think the public has bought a

lot of shares before, Dr. Solomon, at various times that turned out to be not exactly what they thought they would.

A. You asked me the question whether I would invest now. My answer does not mean a thing.

Q. I am not speaking of the party that buys the shares. I am talking of the person who has to put the money in.

A. He is the party that buys the ships. He is the owner.

Q. If the company was largely privately owned, would that suit you?

A. I would not be allowed to buy shares in it.

Q. You will admit, however, if it was largely privately owned you would be hesitant about building at this time?

A. If I was the owner?

Q. Yes.

A. I would think seriously about diversifying.

Q. Into what?

A. Oh, into all sorts of expanding industries of potential in Canada.

Q. How can you diversify ship owners?

A. Canada Steamship Lines have been buying up shipyards. They evidently require another shipyard. Some of the other steamship lines have been moving away from ship construction. You can find out. They do diversify.

Q. It does not sound as if buying shipyards was a very practical diversification.

A. Apparently they want to do it. They must believe some possibilities exist.

Q. Speaking of competition with the United Kingdom ships, is not one of the very great factors the relation of the Pound to the Dollar in the standard of living of the ships' companies?

A. The relation of the Pound to the Dollar depends upon relative wages, the relative productivity and the relative standard of living.

Q. Is it not so that if a British ship owner could earn money in dollars or his crew could earn money in dollars -- let us take the crew first, if I may be permitted, would it not be to their advantage when they translate that money into pounds at $2.80 or whatever it may be. You will admit it is some incentive for being away from home?

A. Indeed.

Q. I think either of you gentlemen may agree with me that in the case of iron ore and oil transport a great deal of the finance for that type of thing comes from insurance companies of long-term chartered guarantees, does it not?

A. I do not know what you are speaking about.

Q. I said a great deal of the money forthcoming for financing of oil carriers and in some cases iron carriers comes from the

security of long-term contracts in the United States or Canada anyway?

A. I imagine long-term security is essential for any loan of debt funds, yes.

Q. The grain trade, I think you will agree, there is not much possibility of getting any long-term contract?

A. Not on the present market.

MR. GERITY: Thank you.

MR. WRIGHT: I would like to direct a few questions to Dr. Mayer, if I may.

Q. Dr. Mayer, I represent the Canadian Pacific Railway Company. I presume you have some knowledge of the extent of that Company's operations in Canada?

DR. MAYER: Yes, I do.

Q. Dr. Mayer, there are just one or two questions first in connection with the submission of the Province of Manitoba in Paragraph 2 of the Preface and Summary at Page 1 it says:

"The Province of Manitoba is
"firmly opposed to the imposition of
"any further legislative restrictions
"on the coasting trade of Canada."

I assume from what you have said there and what you have said in this brief that you have in mind there only legislative restrictions restricting the capacity such as is found in Paragraph 13 of the Canada Shipping Act. Is that correct?

DR. MAYER: I do not understand the question.

Would you repeat it?

Q. Well, what legislative restrictions are you referring to in that paragraph?

A. Well, we refer to restrictions or changes in the Canada Shipping Act which would reduce the potential participation of vessels in the coasting trade as, for example, restricting of trade to strictly Canadian vessels as contrasted to the present situation in which Commonwealth -- non-Canadian -- vessels can also participate.

Q. That is the type of restriction you have in mind?

A. Yes.

Q. Now, in Paragraph 5 you refer to:

"The existence of competitive forces
"is a prime factor that is necessary
"in order to insure that these lower
"costs are in fact reflected in
"correspondingly lower rates."

Now, what competitive foreces have you in mind?

A. Well, the competitive forces of different carriers, for example.

Q. Are you thinking of different carriers within the water transportation industry?

A. In part, yes.

Q. What else have you?

A. Specifically and principally I would say that.

Q. That is really what you had in mind

when you wrote that?

A. Yes.

Q. That is inter-carrier competition within the water transportation industry?

A. Yes.

Q. You did not have in mind competition from other agencies such as the railways or the motor trucks?

A. Sure, incidentally, yes.

Q. Incidentally, you had those in mind?

A. Yes; well, we are aware of that competition, of course.

Q. That competition does exist?

A. Of course.

Q. Now, in Paragraph 7 you say:

"To the extent that the domestic "shipping and ship building industries "are not essential items of national "defence, these industries should be "prepared to operate within a com- "petitive framework."

Now, what do you mean when you say "a competitive framework"? What have you in mind there?

A. I mean that the user of the transportation service, the shipper, should have the choice of carriers. He should not be restricted as to the carriers he will use so that the carriers would then be competing with one another.

Q. What do you mean by the word "framework"?

A. Well, I mean just that, that the situation should be such that the market forces of supply and demand would act competitively to set the general price levelfor transportation services.

Q. And you have in mind competition between water carriers themselves there?

A. Primarily, yes; although we are, of course, aware of the competition among the various types of carriers as well.

Q. Did you give any thought when preparing that paragraph to the Transport Act of Canada?

A. Yes, we did.

Q. The framework under which to some extent water carriers must compete in Canada?

A. Yes, we did.

Q. That Act, as you know, applies to a limited amount of traffic, does it not?

A. As we understand it applies to passengers and package freight trade on the Great Lakes and not the bulk trade.

Q. Do you know the amount of traffic which is affected by the Transport Act?

A. We have a general idea, yes.

Q. What was your general idea of that?

A. Well, it's considerably less in the Great Lakes than the bulk trade, of course.

Q. Does the figures 5 or 10 per cent fit in with your ideas?

A. Yes.

Q. The Transport Act provides, as you know, for the licensing of ships in the first place which propose to engage in the package freight trade on the Great Lakes.

A. Yes.

Q. On the basis of public convenience and necessity.

A. Yes.

Q. And in the second place these operators engaged in the package freight business are subject to the freight regulation and unjust discrimination and undue preference and other provisions of the Transport Act?

A. Yes.

Q. You are familiar with that?

A. Yes.

Q. That applies not only to the package trade but also to the bulk trade in the MacKenzie.

A. I believe it does although we have not specifically studied the MacKenzie.

Q. You have not given much thought to it?

A. We are familiar with the fact that the Act applies to MacKenzie in that respect, yes.

Q. In Paragraph 12 of your submission you appear to recognize that upon the opening of the Seaway alternative forms of transportation, which include the railways, will be subjected to an increasing measure of competition?

A. Yes.

Q. That is correct?

A. Yes.

Q. And that could mean, could it not, that some traffic which is now moving by rail would be diverted to ships?

A. Some of it probably would, yes.

Q. And in that case the railway revenues might be adversely affected?

A. That is right if certain assumptions are made, and in the first place this would assume that the total traffic moving by rail would be decreased as a result of such diversion. This does not necessarily follow. The total traffic may in fact be increased by a higher level of general employment resulting from an increased economy activity that would be stimulated by lower costs.

Q. That is this business of the exapanding economy?

A. Yes.

Q. Which you suggested.

A. Yes.

Q. That will take up the slack which might result from certain traffic being taken away?

A. That is correct.

Q. Well now, is not the amount by which that slack will be taken up as a result of this expanding economy a matter of considerable conjecture?

A. Yes. As a matter of fact there is a Royal Commission appointed to go into that subject.

Q. It is also a question of timing, is it not?

A. Yes.

Q. It may be ten or fifteen years before that slack is taken up?

DR. SOLOMON: May I answer to this point?

Q. I would just like Dr. Mayer's answer.

THE CHAIRMAN: No, no. I understand both of these witnesses have worked on the problem and if one of these witnesses is the proper person who has done investigation on that then that witness should reply.

DR. SOLOMON: Thank you. All I wanted to point out was that the increase in traffic that we envisage comes partly from economic growth which will be stimulated and partly from increased trade. That might take place immediately. Certain trades might become possible if the bulk rates are lower and as a result of those trades other trades would develop that might go to the railways or trucks.

Q. Well, Dr. Solomon, is that not also to some extent a matter of conjecture?

DR. SOLOMON: No, I think it is a matter of analysis. It is well known when you have two centres in any country or in the world and you connect them with lower cost transportation, the movement of goods between them increases.

Q. You mentioned lower cost transportation. That you say will come from the Seaway?

A. Yes.

Q. The lower cost transportation on the Seaway will also to some extent result in reduced rail rates, will it not?

A. This depends on the railway itself.

Q. I mean the competitive situation will be such that the railways may be forced to reduce certain rates to hold the traffic?

A. As I say it is their decision.

Q. It is their decision using their business judgment.

A. Yes.

THE CHAIRMAN: Q. They may elect to let the other traffic go altogether?

A. Yes.

MR. WRIGHT: Q. There is a possibility of an adverse effect upon the revenues by reason of the loss of traffic and by reason of a revision in the rail rates, quite apart from what you say about the expanding economy?

A. I only said we do have this loss of revenue to the railways but I said we have both the growth factor and the increase in traffic factor which might compensate for it. It depends how far ahead you are looking.

Q. It is just possible that in view of the loss of traffic and the necessity of reduced rail rates in Eastern Canada that the railways may have to look elsewhere for additional revenues to make that up if the expanding economy does not do it and if the increase in traffic does not do it?

A. Yes. They may look for cost reduction or to rate increases elsewhere, I suppose.

Q. I suppose that could have an effect on Manitoba?

A. Here again that depends on the decisions that are made.

Q. As an economist do you not think it might be more desirable to give the railways a better opportunity to compete for that traffic than they now have?

A. Which traffic?

Q. This kind of traffic which there is a possibility of losing due to the opening of the Seaway?

A. Well, I think they are completely free to compete for this traffic.

Q. You recognize, Doctor, that the railways are ridgidly regulated in Canada under the Railway Act?

A. There is nothing to prevent you lowering your prices if you want to.

Q. You also recognize that the movement of bulk goods, as defined in the Transport Act is not regulated?

A. No, it is not.

Q. And that the operators carrying bulk goods are free to make rates as they please, rates which the railway company know nothing about and rates which may be unjustly discriminatory or unduly preferential. Now, that being the case,

can you say that the railways are in a position to compete fairly and equally with these bulk carriers for that traffic?

A. No, not for that particular traffic. I was thinking particularly of other types of traffic that would develop so there would be greater bulk traffic.

Q. Dr. Solomon, would it not be adviseable in the national interest that the railways should be placed on an equal basis with the water carriers?

A. I do not know what you mean by "equal basis".

Q. Well, what I mean is this, that the water carriers should also be regulated in the same way that the railways are.

A. I do not think that follows at all, no.

Q. You say that the railways are not at a disadvantage in competing with the water carriers?

A. Over water routes, it is, sure, because there again the same point comes up. For instance, if you had a train that would float you would not be at a disadvantage but that is a natural disadvantage, hardly a regulatory one.

Q. You do not mean to imply that the railways and water carriers do not compete for bulk traffic?

A. They do indeed but there is a natural disadvantage, a natural cost disadvantage.

Q. I recognize that there is that cost

disadvantage but regardless of that cost disadvantage, should the railways not have an opportunity to compete for that traffic?

A. Indeed they should.

Q. And should it not be fair and equal with the water carriers?

A. Well, do you mean it should be fair and equal because of the nature of the transportation?

Q. I am not talking about the nature of the transportation. I concede that the water carriers may have a certain inherent advantage by way of cost, but in the solicitation of traffic from a shipper, can you say that they are on a fair and equal basis?

A. I would imagine they do have that opportunity now. Are they not free to lower their prices on certain bulk goods?

Q. Yes, but they have to file those rates with the Board of Transport Commissioners. Those rates are public. The water carriers do not have to do that in respect to bulk cargo. The water carriers can move the rates from day to day.

A. According to them their practice is not to do so.

Q. There is that possibility though?

A. Yes, there is.

Q. Well, do you wish to express any opinion on that or have you given it any thought or study?

A. I would rather you ask the question.

Q. I thought I did ask the question.

A. I think they ought to be on a very equal basis apart from their natural and restrictive differentials.

Q. You are moving back to the inherent advantages and really when you get down to it the country cannot get the benefit from the inherent advantages in the long run unless these transportation agencies do compete on a fair and equal basis.

A. Now, you are going back to the fair and equal basis. It is like the saying we want a horse to race with a tortoise. How can they be fair and equal? They cannot be fair and equal.

Q. I know you cannot make them fair and equal that way.

A. How can they be fair and equal, a fair and equal part of the transportation framework because they have certainly for many years had the railways regulated in a certain way. That is one, if you want to call that a disadvantage. The other is the trains do not swim. On the other hand you have great benefit.

Q. We cannot make trains swim but we can ask for a much fairer distribution, a fair and equal opportunity to go out and solicit that traffic from the shipper.

A. Indeed, yes, within the disadvantage that exists naturally or historically.

Q. Have you had any opportunity to

study the question of regulation of carriers in the United States?

DR. MAYER: I am familiar with many of the aspect of regulation not all of them, of course.

Q. I wonder if you could tell the Members of the Commission what the framework of regulation is in the United States with respect to water carriers?

A. Well, the water carriers in the States are subject to regulation in domestic trade by the Inter-State Commerce Commission with respect to rates and services with the exception of certain bulk trades. In that respect the regulation situation in the States is not very unlike that of Canada. In the international trades, the carriers, as in Canada, participate in liner fleets. There are also known Conference lines and tramp carriers. In the United States participation in a Conference is specifically exempted from the Anti-Trust Regulation in all tramp American flag vessels to meet foreign flag competition.

Q. I think probably we should limit our discussion to the coasting trade.

A. All right.

Q. Does the regulation of coasting trade stem under the Transport Act of 1940?

A. The regulation of the coasting trade stems from -- yes, I think---.

Q. You think that is right?

A. Yes.

Q. Are you familiar with the policy section of that Act?

A. In general, not in detail.

Q. I would like to read into the record the policy section of that Act. It is contained in---

THE CHAIRMAN: Now, now; I think it is time that we have a decision here. What is taking place at the present time is the cross-examination of the case that has been put in by an interested party and so long as the discussion concerns cross-examination of that witness it is proper to proceed with that but if on the other hand it amounts to the production of evidence in reply to that case then you must produce that in reply and not now.

MR. WRIGHT: Well, Mr. Chairman, it is not evidence in reply. These witnesses are economists and are from the United States and I thought that while they were here it may be useful to draw from them what the situation was in the United States.

THE CHAIRMAN: So long as you are attempting to draw it from them I have no objection but you want to read it into the record from someplace else.

MR. WRIGHT: That may be so, Mr. Chairman. I was going to ask them when we have the policy section of the Transport Act so conveniently in this book---

THE CHAIRMAN: But what we are getting in evidence is the cross-examination of the witnesses not what is in a book. You will have an opportunity

to put it in and I do not care whether it is read from a textbook or not.

MR. WRIGHT: I certainly can put it in, subject to your direction, at a later stage but I just thought it might be convenient to do it here.

THE CHAIRMAN: Well, this is only one example of why the hearings of this Commission are drawing out a most unusual length of time due to difficulty of the problems. The only way to keep them within a comprehensive order is to get the presentations in order. What I have said now applies throughout.

MR. WRIGHT: Q. Perhaps I might limit my question to this, is it the policy of the United States in respect to the regulation of water carriers to regulate water carriers with the policy in mind of keeping both the rail and water carriers going in full vigor and health?

DR. MAYER: Well, I believe it is, yes.

Q. That is in the United States there is a policy that there should be a measure of co-ordination inthe regulation of the various carrier agencies, is that correct?

DR. MAYER: Not entirely so. The Regulation is not entirely centralized in any one angency in relation to that. For example, there is a separate agency to regulate, for instance, civil aviation, a separate agency to regulate transmission of electric power and so on. There is not any applied to international policy in ralation to that.

Q. In so far as rail, water and motor carriers are concerned, is it not the national policy with respect to regulate all these three agencies in domestic traffic?

A. Yes.

Q. And that policy is set out in the Transportation Act and in the national policy section of the Inter-State Commission Act.

A. Yes, only in so far as it affects the common carriers.

Q. There has been some suggestion that there has been a Presidential Advisory Committee report made in the United States, as I understand it. Are you familiar with that?

A. In general, yes.

Q. That has recommended certain changes in the United States transportation policy?

A. Yes.

Q. Is there anything you want to say about that here?

A. No, I do not think there is anything in there that would be directly applicable to the problem of the Canadian coasting trade in the Great Lakes except in so far as the policy as to more or less shorter call ports in the Great Lakes, to realize the advantages which are inherent to that particular form of transportation. I think that is the basic principle rather than policy which I think is applicable to this situation.

[illegible]

[illegible] In so far as coal, water and [illegible]

[illegible]

[illegible]

[illegible]

[illegible] and that policy is set out in the [illegible] in the national policy [illegible]

[illegible]

[illegible] as it affects the [illegible]

[illegible].

[illegible] There has been some suggestion that [illegible] has been a Presidential Advisory Committee [illegible] made in the United States. As I understand it, [illegible] familiar with that?

[illegible] In general, yes.

[illegible] That has recommended certain changes in the United States [illegible] national policy?

[illegible] Yes.

[illegible] Is that [illegible] want to [illegible] it?

[illegible] No, [illegible] something [illegible] acceptable to the [illegible] in the [illegible] they as to were [illegible] in the [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]. I think that [illegible] rather than [illegible] acceptable [illegible] [illegible].

Q. I think they do go so far in that Presidential Report to say any regulation of these carriers should be by fair and impartial basis?

A. Yes, of course, I think this is right through here universally.

Q. You would agree that should be true in Canada too?

A. Presumably it would, yes. That does not necessarily mean, however, that identical regulations should necessarily be applicable to each type of carrier because each type of carrier in one or more respects has unique advantages and disadvantages which must be recognized in the framework of regulations.

Q. Well, in other words, what you are saying is that there should be no regulation which would deprive the nation of any inherent advantage which each form has on the other, is that correct?

A. Exactly.

Q. Now, the Canadian Pacific in a submission which it made to the Commission, has said in Paragraph 15c that"tolls and charges should be levied or assessed against all ships for the use of the canals, locks, harbours and other facilities at a level calculated to recover construction, maintenance and operating costs of these facilities".

Do I take it from the evidence which you have previously given today you would be in agreement with that doctrine?

A. Yes, except that I do not believe it should be made retroactive. In other words I do not believe that tolls should be charged for facilities which now exist if the tolls have not been previously charged.

Q. Why is that?

A. I think that we disturb many of the existing flow patterns, traffic flow patterns upon which the differential character of regional development rests. I do not think that any artificial changes in these relationships should suddenly be introduced.

Q. Yes, but is not the construction of the Seaway going to change all the old flow pattern situations which have been built up on the basis of these canals which were previously built.

A. Certainly not all of them but some of them. Of course, tolls will be charged for the use of the St. Lawrence Seaway which will be adequate to pay off in a reasonable period of years the navigation features of the St. Lawrence Seaway project.

Q. Certainly with thatpart you agree?

A. I certainly do.

Q. I would just like to refer, Dr. Mayer, to an article which you wrote entitled "Merchant Development in Inter-State Transportation." I think that article was written about 1945, was it?

A. 1945, yes.

Q. It appears in the Annuals of the American Academy, Volume 240 at 1242. There you say:

"A true cost of inland water "transportation can be arrived at only "by adding the cost of the or the shipper "cost of improving the immense channels."

Do you still agree with that today?

A. In terms of cost, yes, I would.

Q. Now, I think it was either Dr. Mayer or Dr. Solomon who stressed the question of stability of service in connection with the Great Lakes. I think you feel it is very important that we have reliability and stability of service on the Great Lakes. Now, could that not best be acheived, that condition of reliability and stability, through a licensing system?

A. I think that can in certain trades. I am not sure necessarily that it can in the bulk trade which, by nature, has highly fluctuating markets. I think the play of market forces in such trade would best be let alone. I certainly feel that is true in other types of trades as, for example, the package freight trade on the Lakes which is directly competitive with the merchandise traffic on the railway.

Q. Of course, licensing would eliminate the fear which some people have of tramps and other fly-by-nights coming in and taking all the trade and then disappearing.

A. Yes, it would except for one thing,

and that is this, that there are periods of peak demand for transportation services in the bulk trades such as in the transportation of grain when the supply of ships available on the Great Lakes might be limited by the necessity of another operator who wants to get into the trade by applying for a license and going through the necessary procedures and this would delay making bottoms available during the very short peak season when additional supplementary facilities may be necessary to move the traffic.

Q. Of course, it may be logical to overcome that by granting temporary permits.

A. That is conceivable, yes.

THE CHAIRMAN: Is it part of the Canadian Pacific position there should be licenses even in the bulk trade?

MR. WRIGHT: Yes, Mr. Chairman. It is all trades.

DR. SOLOMON: May I interject on this point about licensing? Forgetting the cost of administrating licenses, if the license procedure does exactly what the market will do anyway it is pointless and if it does not do what the market will do then licensing is bad.

MR. WRIGHT: That is all, thank you.

MR. MUNDELL: Next will be Mr. Jackson of the Shipbuilders.

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PROFESSOR JACKSON: Mr. Chairman, I represent the Canadian Shipbuilding and Ship Repairing Association and I am going to speak for just fifteen minutes, with consent, but only thus.

I would like to direct some questions first to Dr. Mayer entirely and briefly to Dr. Solomon.

PROFESSOR JACKSON: Q. Dr. Mayer, you belong to four modern societies which Mr. Shepard covered this morning inspite of your modesty. You belong to the American Institute of Planners, the American Society of Planning Officials, the Association of American Geographers, and the American Geographical Society, and we were told this morning you have been associated as a student or as a research worker or as a teacher with four universities and are presently in the University of Chicago, a very great institution of which every scholar in the world speaks with enourmous respect. This University Association goes back to 1932.

DR. MAYER: Yes, as a student.

Q. So you have been steeped for half a lifetime in the great tradition of scientific investigation and inquiry?

A. Yes.

Q. Would I be summarizing that tradition correctly if I put it under three heads to say that when one under that tradition puts a dogmatic opinion one is obliged to publish one's evidence when necessary in a quantitative form for the judgment of one's

peers?

A. I would say that depends upon the circumstances. If the opinion is clearly identified as such under certain circumstances that may not be necessary.

Q. If it is only a personal opinion?

A. If it is only a personal opinion.

Q. If you are coming to a dogmatic conclusion in any field that is what you should do?

A. No. I would say that a scholar should not come to a dogmatic conclusion.

Q. Well, if we go back to the meaning of the Greek word "dogma", I think you mean the word as I do, I do not think we would differ.

May I come to the second point that the facts which led you to what I call the dogmatic conclusion are facts which are capable of being proven in a court of law or must be accepted by a tribunal of scientists. One must be absolutely certain of one's facts?

A. Yes.

Q. Thirdly, and I have only three points, otherwise if one cannot fulfil those two conditions, the wise man suspends judgment?

A. Not necessarily. I think that everyone is entitled to his judgment and to state them provided that he indicates the extent to which those judgments are based upon facts.

Q. I am trying to distinguish between personal opinion which anybody may form and a

dogmatic judgment which a scientific man from time to time is sometimes called on to express. You are familiar with the pattern of transportation in Canada?

A. In general I am.

Q. And with the national income figures, the statistics of gross natural product which are the antimony of a well organized country like United States of Canada.

A. In general I am although I am a geographer rather than an economist. Dr. Solomon is the economist.

Q. That I am aware of. Have your studies led to you to form any quantitative judgment as to the future volume of the coasting trade when, for example, this country's gross national product will have doubled as it will have within a fairly short time. Will the volume of coasting business double or more than double or less than double?

A. I cannot give you any figures. Of course, I have opinions. I hope to go further into that later.

Q. You have not attempted to make precise measurements based on past experience?

A. Not yet, no.

Q. So if you have not planned on speaking today about the pipeline, have you asked yourself what is the effect on the ship-building industry, spending hundreds of millions of dollars in bringing oil from distant sources

by pipeline.

DR. MAYER: Well, of course, I am familiar with the recent pipeline construction in the Great Lakes area.

Q. You have not taken that into account in your evidence today?

A. Well, I have to some extent, yes.

Q. Have you studied the proportion of the imports of the Prairie Provinces which go by overland and by water in the overland trade and the coasting trade?

A. In general, not specifically.

Q. Can you tell the Members of the Commission what proportion of their imports they get by water in the foreign trade or in the coasting trade?

A. Of course, it is a relatively small proportion of the total imports of the Prairie Provinces.

Q. Knowing the Prairie Provinces, have you studied that?

A. I have to study it in some detail later.

Q. Not yet?

A. Not yet.

Q. Have you studied in detail the composition of the Prairie Provinces imports in the coasting trade?

A. Yes, I have to some extent.

Q. What proportion of the imports and

[illegible]

[illegible] provided wharfing accommodation in the Great [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible] tion or by [illegible] in the island trade and the [illegible]

[illegible]

[illegible]

Commissioner [illegible] to be in parts they [illegible] by water in the inter-insular trade or in the coasting trade [illegible]

[illegible] of course [illegible] relatively [illegible] proportion of the total imports of the Straits Settlements.

[illegible] the total coasters have an [illegible] tonnage.

[illegible] have to study it in some detail later.

[illegible]

[illegible]

[illegible] connection of the Straits Settlements imports in the [illegible]

[illegible] Yes I have to some extent.

[illegible] imports and

exports that you have studied, what proportion of the imports and exports consists of goods which are not those of primary products?

A. A very small proportion at the present time.

Q. So that this discussion today is related almost entirely to foods and primary products brought into the Prairie Provinces or taken out of the Prairie Provinces?

A. In a large part, yes.

Q. But a very small proportion of the traffic is carried on---

A. At the present time.

Q. The great bulk of the imports and exports of the Prairie Provinces, other than very simple primary products go by land?

A. Yes.

Q. Would it surprise you when you study this to find that the average imports and average exports per head in the coasting trade for the population of the Prairie Provinces is not more than five or ten pounds per week?

A. That figure would not disagree with the impression I had.

Q. I asked the question because there were numerous records in the Brief of the Province of Manitoba. You spoke here this morning about how the Lake shipyards should get export orders when the canals have been deepened, that gives them an opportunity to go out in the

world and get export orders?

A. I said they have that opportunity, yes.

Q. In the academic sense?

A. Yes.

Q. How many export orders are being carried on in the salt water shipyards now?

A. I do not know that there are any but there have been a number of ships built within recent years for foreign registry in Canadian salt water shipyards.

Q. When was the last order received for a foreign vessel in a salt water Canadian shipyard?

A. I can't tell you that specifically.

Q. Would you be surprised to learn it was more than five years ago?

A. Yes, I think that is right.

Q. Would you expect the Lake yards in the St. Lawrence to be any more successful than the salt water shipyards in that regard?

A. I will say that they will have opportunities. They will be about a quarter of the salt water shipyards and of course, the extent of these opportunities will depend upon world conditions in relation to the supply and demand for bottoms.

Q. And the relation between the wages in Canada and the wages in countries building ships?

A. There are other circumstances too. One of the conditions would be the relative

ability of the Canadian shipyards to meet production schedules and delivery dates as contrasted to the foreign yards.

Q. You mean the Canadian yards might be more efficient?

A. They may or they may not perhaps be able to pick up the overflow of orders which the foreign yards would not be in a position to handle at certain times when the demand is very high.

Q. Is there any sign of that overflow of orders?

A. Not at the present time, no.

Q. Anywhere in the world?

A. Not at the present time.

Q. Do you expect to run into an overflow in the near future?

A. It is quite possible, yes, because a large proportion of the world's merchant tonnage, for example, the American flag tonnage will be completely obsolete within the next decade. If certain nations are to be represented in the world trade they are going to have to replace that tonnage. Of course, in the case of United States shipyards the capacity exceeds in the case of certain other nations the demand.

Q. There is an unused capacity in the world today?

A. At the present time there is, yes.

Q. And quite a large one?

A. Yes.

Q. This 7,000 minimum figure has been talked of a great deal today. Do you remember when that estimate was made?

A. If I recall correctly it appeared in 1949 in that report.

Q. Six or seven years ago?

A. Yes.

Q. Do you know what the 7,000 figure includes? Is it the dockworker or everybody in the yards or what is the definition of the figure?

A. If I recall correctly---

DR. SOLOMON: May I read it to you in their words? Page 9, second report of the Canadian Maritime Commission dated June 30th, 1949, Paragraph 17.

"It is estimated that the shipbuilding "industry may be maintained in Canada "on a nucleus basis of employment of "7,000 men in strategic places. One-half "of this number of men would normally be "engaged in ship repairs."

Q. You donot know the percentage or the part of the body to which this 7,000 applies, whether it is the dockworkers or the total workers?

DR. SOLOMON: It would seem to refer to men only, but they have forgotten about women workers.

Q. Men may push a typewriter or go out to sell ships.

A. I think they refer to people actively engaged.

Q. But we do not know. This is an estimate that was made six years ago.

A. It has not been changed. I asked the man who made that estimate if there was going to be a re-estimate. I asked him last month and he said "No, that estimate stands. When there is a new estimate we will print it."

Q. Do you know that the population of Canada has increased by something like two million since that estimate was made?

A. Yes.

Q. Do you know the character of the modern warship has been revolutionized since that estimate was made?

A. Not revolutionized. I think the character of war has changed even more.

Q. We are talking about warships today.

A. Yes, it has been changed.

Q. In other words would you admit the shipbuilding business has been revolutionized in terms of size and other things?

A. No, not revolutionized. The ships are very similar even to the ones I served in during the war.

Q. May I speak to Dr. Solomon. Dr. Solomon you said that if we are going to restrict the coastingtrade we are going to provide Britain with fewer dollars than she would otherwise earn so therefore she will buy less from us?

A. Yes.

Q. You are familiar with the pattern of British trade with dollar countries?

A. Yes.

Q. Do you know that our purchases from Britain have been diminishing steadily and their purchases from us have been increasing steadily?

A. Well, I wouldn't say steadily.

Q. I think it is on the record. Mr. Chairman, I do not want to give evidence. I will ask the question if necessary.

DR. SOLOMON: My point is they buy more from us than we buy from them.

Q. They have done so for the last quarter of a century.

A. They have done so pretty regularly.

Q. Without exception?

A. The reason was they were able to sell us their services, insurance, ship financing and things like that. Services are a very important component of the United Kingdom---

Q. What they have done, I suggest to you, is sell their goods and services all over the world and largely in the country in which you were born and in whose armed forces you served and elsewhere to obtain dollars with which they bought Canadian goods?

A. Those were in the days of convertibility.

Q. Has the Pound not been convertible by nature or by decision of the British

Government?

A. It is not convertible by decision of the British Government.

Q. In other words Britain found it convenient to ration dollars to those whom it is supposed are proper?

A. Not because it desires convertibility for its own sake but because the nature of its trade is such that convertibility now is not possible. I see the American Commission were going to recommend to Britain last year minimum convertibility. Lots of things looked so good. We found out after that very soon she could not have. She was not ready.

Q. The position is the British Government decides how many dollars are going to be spent in Canada arbitrarily whereas when the Pound was convertible, and if it becomes convertible again, the decision will be the decision of the citizens.

A. Indeed.

Q. So the only difference conveyed by your statement is that the decision is made in another quarter from where it was previously made.

A. Indeed, yes.

Q. So it is the British practice and it always has been the practice, monies in Canada went for what they bought in Canada and she paid for it without earning ---

A. No, she would buy quite a bit more in

Canada if dollars were more freely available and she would buy also more from the United States.

Q. If Pounds were freely convertible?

A. It is not a question of having the money. They have the resources. They do not have the dollars and this is the very special reason---.

Q. Britain has provided the home market with Canadian goods with dollars which were not earned in Canada, not convertible and before the convertibility period under circumstances that she has not been doing ---.

A. I did not get that.

Q. May I put it again?

A. Yes.

Q. Britain has always supplied her markets with Canadian goods with a large quantity of dollars she did not earn in Canada and which she had no hope of earning in Canada?

A. Where has she been earning dollars if it is in non-convertible currencies? How can she be getting Canadian dollars when she is not earning them?

Q. I can say that Britain has paid for Canadian goods. I can find out where she has earned them.

A. She may have earned a dollar in the United States and spent it in Canada or she may have earned a dollar in Canada and spent it in the United States but the total must balance. She cannot spend more dollars than she earns.

[illegible]

[illegible]

[illegible]

Q. Sir, this sort of argument could go on until eight o'clock and I will not pursue the question but I would like to register the fact that that last statement is a completely unsatisfactory explanation of the situation which is based on the fact that Britain in a convertible area, has always financed her trade on a triangular or on a quadrilateral basis. She could not have financed it by any other means. She accepted it as a necessity and therefore not as a good scout but as a sensible fellow. It will always be so and from the little I have seen of British policy making the British are not small enough to recognize their needs of Canadian dollars in terms of whether they earn an extra dollar or two or not by such a decision as this.

DR. SOLOMON: I am happy to leave that statement by that professor.

MR. JACKSON: I am sorry I had to make that statement. I must sit down and I must sit down under a very serious challenge.

THE CHAIRMAN: You will have your opportunity to adduce such evidence by way of reply as you deem fit.

That will conclude our hearing for today.

PROFESSOR McDOUGALL: Mr. Chairman, I have some corrections in the transcript. Page 361 line 10.

For the word "inward" read "unweighted".

MR. GERITY: I propose to submit a lengthy

list of corrections subject to your direction, Mr. Chairman.

MR. WRIGHT: I also have a list, Mr. Chairman.

MR. MUNDELL: I think it would be acceptable, Mr. Chairman, if these corrections were to go into the record and made available for other people.

THE CHAIRMAN: I do not think there is any use of burdening the Reporters by having them take down the words which you have typed. They should be given exhibit numbers and simply go into the record at those places and if other counsel have the same material we can handle it in the same way.

---EXHIBIT NO. 44: Errata filed by Professor MacDougall.

Gentlemen, I believe that completes our consideration of the Brief filed by the Province of Manitoba. I wish to thank Mr. Shepard and the witnesses Dr. Mayer and Dr. Solomon for their assistance. I regret that we are unable to continue tonight. There are only a certain number of hours in a day but we shall continue the consideration of the other briefs which have been filed on September 8th at ten o'clock in the morning. If necessary we shall also devote September 9th to those briefs. We will now adjourn.

---The hearing adjourned at 5:40 p.m.

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ADDITIONAL QUALIFICATIONS OF DR. HAROLD M. MAYER

Birth: March 27, 1916, New York City, N.Y.

Married; one son. Citizenship: U.S.A.

Residence: 5660 S. Blackstone Ave., Chicago 37, Ill.

Education:

New York University, 1932-33.
Northwestern University, 1934-36; B.S. in Geography, 1936.
Washington University, St. Louis, 1936-37, M.S. in Geography, 1937. Thesis topic: Geography of the Port of St. Louis.
University of Chicago, 1937-39 and 1943. Ph.D. in Geography, 1943. Dissertation topic: "The Railway Pattern of Metropolitan Chicago".

Fields of Specialization:
Urban and regional development and transportation.

Experience:
Zoning Specialist, Chicago Land Use Survey, 1940-41.
Research Planner, Chicago Plan Commission, 1941-43.
Geographer, Transport Routes and Ports Section, U.S. Office of Strategic Services, 1943.
Research Planner, Chicago Plan Commission, 1944-45.
Chief, Division of Planning Analysis, Philadelphia City Planning Commission, 1945-48.
Lecturer in Geography, University of Pennsylvania (part-time), 1947-48.
Director of Research, Chicago Plan Commission, 1948-50.
Lecturer in Geography, Northwestern University (part-time), 1949-50 and 1954 to present.
Asst. Professor of Geography, University of Chicago, 1950 to present.

Professional consulting practice: Consulting on problems of city and regional development and transportation. Recent clients include the following:
Chicago Land Clearance Commission
Chicago Plan Commission
Chicago Regional Port District Board
Northwestern University Transportation Center.
Chicago Real Estate Board
American Institute of Real Estate Appraisers.
Various land developers on projects relating to residential, commercial, industrial

and terminal developments.

Member of the following professional societies:
American Institute of Planners;
American Society of Planning Officials,
Association of American Geographers,
American Geographical Society.

Author of articles in professional journals on subjects relating to transportation and regional development, including, among recent topics, the Port of Chicago, the St. Lawrence Seaway, and problems of metropolitan growth.

ADDITIONAL QUALIFICATIONS OF DR. EZRA SOLOMON

Born: March 20, 1920. Rangoon, Burma.

Citizenship: United States.

Residence: 5550 Dorchester Avenue, Chicago 37, *Ill.

Education:

B.A. (Economics) Honors, University of Rangoon, 1940.
Ph.D. (Finance) University of Chicago, 1950.

Experience:

Lecturer, Department of Economics, University of Rangoon, 1940-41.
Lieutenant, Burma Division, Royal Naval Volunteer Reserve, 1942-47.
Research Assistant, University of Chicago, 1947-48.
Instructor, School of Business, University of Chicago, 1948-50.
Assistant Professor, School of Business, University of Chicago, 1950-54.
Associate Professor, School of Business, University of Chicago, 1955 -
Editor, Journal of Business, University of Chicago, 1954 -
Economic Consultant: United States Senate Banking & Currency Committee; industrial corporations and trade associations.

Recent Publications (1954-55):

(1) "How Deep Will the Recession Be?" Commercial & Financial Chronicle, 1954. Reprinted as School of Business Occasional Paper #3.

(2) Ed., Forecasting, (University of Chicago, 1954).

(3) "Capital Sources and Uses in 1954," Journal of Business, April, 1954, Part II.

(4) "The President's Economic Program" (with Paul Douglas and Meyer Kestnbaum), University of Chicago Round Table, No. 833, March 28, 1954.

(5) Business Activity and Product Sales, (Industrial Relations Center, University of Chicago, 1955).

(6) A Study of the Financial Aspects of International Trade and of the Export-Import Bank and World Bank. Report, Citizens' Advisory Committee, United States Senate Committee on Banking and

Currency (Government Printing Office, Washington, D.C. 1954)

(7) "The Current Recovery - An Analysis," Journal of Business, April, 1955.

(8) "National Income Accounts and Forecasting." Proceedings, Second Annual Conference on Statistical Indicators (Chicago Chamber of Commerce and Industry, 1955).

(9) Current Levels in the Stock Market." Proceedings, Third Annual Management Conference (University of Chicago, 1955).

(10) "Recent Monetary Policies". Paper delivered at the Fourth Annual Conference of Business Economists, Illinois Business Review, July, 1955.

(11) "Economic Growth and Common Stock Values", Journal of Business, July, 1955.

(12) "Measuring the Cost of Capital," Journal of Business, October, 1955.

VOLUME 6

ROYAL COMMISSION ON COASTING TRADE

Proceedings of Victoria and
1st day Vancouver

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Commencing August 29, 1955

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ROYAL COMMISSION ON COASTING TRADE

Report of Hearing held at Victoria, British Columbia, commencing at 2.25 p.m., Monday, August 29th, 1955.

PRESENT:

THE CHAIRMAN: The Honourable Mr. Justice W.F. Spence.

Mr. W.N. Wickwire, Q.C.)
) Commissioners
Mr. M. Belanger, C.A.)

Mr. D.W. Mundell, Q.C.)
) Commission Counsel
Mr. Paul Gerin-Lajoie)

Mr. H. Kemp - Economic Adviser to the Commission

---Mr. G.G. McLeod - Secretary

---Mr. P. Cimon - Assistant Secretary

THE CHAIRMAN: This is a sitting of the Royal Commission on Coasting Trade. I do not think there is any need to read the terms of reference. This is, of course, the first hearing in the Province of British Columbia and we are awaiting with interest the representations which are to be made to the Commission in this Province.

I think it would be appropriate if we were to note the persons appearing and the interests for which they appear.

MR. MUNDELL: Possibly if I called them off it might be easier for the reporter.

THE CHAIRMAN: Yes.

MR. MUNDELL: The Government of the Province of British Columbia has filed a brief and is making representations. The Attorney-General, Mr. Bonner, is appearing on behalf of the Provincial Government. Then there are the British Columbia member shipyards of the Canadian Ship Building and Ship Repairing Association, and Mr. Gerity is appearing for the member shipyards.

MR. GERITY: I am appearing for the main Association, my lord. I am sorry to correct my friend. Mr. Wallace and Mr. Husband will present the local case for the shipyards in Victoria, and there will be representations presented on behalf of the Burrard Dry-dock Company in Vancouver later in the week.

MR. MUNDELL: Then the next party filing representations is the Island Tug and Barge Limited and Young and Gore Tugboats Limited, for whom Mr. Prentice appears. Then finally there is Mr. George Nicholson.

THE CHAIRMAN: What was the second of the two companies?

MR. MUNDELL: Young and Gore Tugboats Limited. Then there has been a brief filed by Mr. George Nicholson of Victoria. Is Mr. Nicholson here?

MR. NICHOLSON: I am, yes.

MR. MUNDELL: I thought, my lord, subject to your direction, that that might be the order

in which the briefs might be put before the Commission.

I suppose, really, I should enquire if there are any others whom I have not mentioned.

THE CHAIRMAN: I agree with you that we should first hear from the Government.

MR. PATTON: My lord, the City of Victoria will present the resolution of its Council supporting a certain brief which will be presented to you later in the week in Vancouver.

MR. MUNDELL: I would think that the City of Victoria should come after the Government of the Province.

MR. PATTON: Just as you please.

THE CHAIRMAN: Then we will hear from the Government of the Province.

SUBMISSION OF THE PROVINCE OF BRITISH COLUMBIA

Mr. R. Bonner, Attorney-General, appearing.

MR. BONNER: My lord and Commissioners, since this is the first sitting of the Commission in British Columbia, perhaps I might be permitted to extend on behalf of the Government of this Province the very warm greetings of that body to this Commission. A few moments ago the Honourable the Premier, on an informal occasion, was able to express those sentiments which I now would wish to record. The Premier is in attendance this afternoon to see the opening of these

events.

I would wish to advise the Commissioners, however, that in addition to the brief which has been filed, I have in attendance with me Mr. Maurice Glover, Assistant Director of the Bureau of Economics and Statistics, and Mr. Ted Whelan, Research Assistant of the Bureau of Economics and Statistics, who will endeavour to amplify any of the points which have been raised in the brief which has been filed. I understand it to be the practice of your Commission's hearings that the brief itself is not to be presented in detail, but I want to lend great emphasis to the fact that the Province of British Columbia regards the inquiry which your Commission is undertaking to be one of prime importance to this jurisdiction, and notwithstanding the fact that the shipping trade as such does not fall within the constitutional jurisdiction of the Province we nevertheless attend the submissions here with great interest and await with great concern the findings of the Commission in due course.

If I am correct in my assumption that the brief is not to be read, perhaps the order of events is that certain questions will be directed, and, if possible, I will undertake to reply to the questions which have been raised, or indicate one or more of the gentlemen who accompany me to essay the answers, and, if that is not immediately possible, perhaps I can undertake in advance to file a written amplification of the points that may be

raised.

THE CHAIRMAN: Yes, Mr. Bonner. We have adopted the course, I think rightly, of not having the briefs read, but you may be sure that we have read all of the briefs.

MR. BONNER: I have no doubt of that.

THE CHAIRMAN: There are a great many, something around a hundred and twenty now, I believe, and it would needlessly delay the hearings to have the briefs read in. Some of them are very long. Accordingly we prepare ourselves and then get further information from the counsel or from those who advise us. Now, Mr. Mundell, would you care to take on that task now?

MR. MUNDELL: I wonder, Mr. Chairman, whether it would be possible to obtain from Mr. Bonner or one of his assistants a general outline of the sort of pattern of the coasting trade in British Columbia as a start? It might be of assistance to the Commission in considering the later briefs. I wonder if that might be done?

THE CHAIRMAN: Yes.

MR. BONNER: Do I understand counsel to invite an historical pattern?

MR. MUNDELL: I was thinking of existing lines, the nature of cargoes, and that sort of thing, if that is possible.

MR. BONNER: I must confess that we have not prepared ourselves along that line. Table No. 1 of the brief which is filed contains a

statistical summary which illustrates the perspective in which we find ourselves in this Province. It is quite obvious, however, that whatever pattern may be elicited in testimony at this point it must be regarded as part of the larger pattern of transportation problems which British Columbia has traditionally, I was going to say suffered from, since Confederation. We find ourselves in this position, generally speaking, that we are at the end of steel, and our freight rates have occupied the concern of industry in this Province ever since its entry into Confederation. Of course our submissions historically over that period are well known. The coastal trade we find, in our thinking, best divorced from the inter-coastal trade, with which, of course, it is inextricably connected because of the difficulty of our terrain and the necessity for maintaining proper connection between the ports of our Province, which, so far, cannot be properly reached in the development to date of our interior economy. That, of course, is a condition which attended the Atlantic Seaboard historically, and is no longer the case by reason of the development of the interior, but here in British Columbia with a topography such as we have, we have still some time to go before the development of our interior economy permits us to have adequate substitute service for the coastal trade which we now enjoy.

THE CHAIRMAN: The same thing is true in Newfoundland where you have a situation very

similar to that which you have pointed out. In fact you have both used the same word, the word "outports". In many ways the situation, so far as physical access to transportation is concerned, is very similar, though other aspects differ a great deal, particularly in regard to natural wealth and resources in the two places.

MR. MUNDELL: I am still wondering about the possibility of obtaining a more or less overall outline of the existing services. Do you think it would be possible for somebody in the appropriate department, not at the present time but later, maybe to file a written submission?

MR. BONNER: Yes, I think that could be easily done. It is more of historical than immediate consequence perhaps, and that is why we did not prepare ourselves along that line.

MR. MUNDELL: I mean what is operating right now.

MR. BONNER: Yes, that can be got together quite quickly.

MR. MUNDELL: I think that would be of great assistance to the Commission. Would it be possible to have this put before the Commission, say, in Vancouver?

MR. BONNER: Yes, indeed.

MR. MUNDELL: Now, sir, there is one point upon which I am not entirely clear, and possibly the Commissioners might appreciate some clarification of it, and that is this: You have mentioned

in the brief on behalf of the Government, national defence and the benefits of maintaining shipyard employment. I wonder if you could indicate to the Commissioners whether you raise the argument for subsidy or assistance to the shipyards solely on defence, or do you have other considerations in mind?

MR. BONNER: National defence is a pretty obvious basis for raising the necessity for maintaining a healthy shipbuilding industry in Canada. However, that relates to only one possible phase of this nation's activity, and over the long run perhaps the peacetime basis is of greater importance, although naturally if we do not survive in an international contest, that is of importance as well. However, in a country such as Canada, with so much of its effort directed towards international trade, it becomes not merely a matter of national pride but I think a matter of national necessity that the merchant fleet of this nation be maintained, not only in a healthy condition but also in a flourishing one. Certainly perhaps no example of international consequence in history may be referred to without at the same time noting in connection with it that that nation possessed a vigorous merchant fleet, and that, of course, while in the national picture, is one which has much consequence and importance for this Province of British Columbia, which would depend to such a great extent on either the shipbuilding industry, which might contribute to that general condition, or the general benefits of

trade arising from it.

MR. MUNDELL: Then I take it, sir, that your Government holds the view that national defence is not the only consideration, but that there should be a fleet, to the extent that the subsidy should be spent to maintain it beyond what is necessary for national defence.

MR. BONNER: Not the only reason but certainly a very important one.

MR. MUNDELL: The point I was really trying to get at was this: the brief recommends the payment of subsidies. I think most representations made to the Commission have agreed that a nucleus of shipbuilding facilities should be maintained for defence purposes, but are you recommending the payment of subsidies to maintain shipbuilding beyond what is necessary for defence purposes?

MR. BONNER: I think we get into a very fine question as to what are defence purposes. The time table of national preparedness has undergone such a great variation during the last twenty-five years that I would not be prepared to say that at X point we were concerned with national defence and beyond that with peacetime activity.

MR. MUNDELL: I mean, assuming the Federal Government charged with defence accepted the recommendation of the Canadian Maritime Commission that seven thousand employees in the shipbuilding industry was an adequate nucleus, the point I am really trying to ask is, does your Government

recommend the payment of subsidies to maintain a shipbuilding industry larger than that, as a matter of recommendation from the Government?

THE CHAIRMAN: Larger than whatever nucleus is found by the appropriate body to be necessary. It might be seven thousand; it might be and probably will be much more.

MR. BONNER: My lord, the submission on subsidies related not only to defence but also to the general matter of employment. In our opinion the question of subsidies can get very quickly out of hand. We are more interested to know, in all events, where the direct cost of shipping lies rather than to have shipping maintained by artificial conditions. I find it very difficult to be categorical in reply to the question posed by my learned friend. I think certainly that our shipbuilding industry has to be maintained for purposes of national defence, and quite frankly how far beyond that, is open to question, just as it is open to question to know with any degree of certainty what is the condition required for maintenance of an adequate fleet for national defence purposes.

MR. MUNDELL: In other words, you would be prepared to contemplate that the Government would undertake to subsidize the building of such ships as industry might require, and let the requirements be the governer - to pay the construction subsidy, I am thinking of at the moment, for ships required in the Canadian coasting trade.

MR. BONNER: I think the answer is yes, at the moment.

MR. MUNDELL: If I understand your submission correctly, you state you are not concerned with restrictions because of the peculiar pattern, or the development rather, of the coasting trade in which British ships play very little part. I was wondering if you could expand on that point for the information of the Commission?

MR. BONNER: The general pattern of our coasting trade, as I am instructed, is that it is a home-based, locally-controlled industry, and that is the thinking behind the submission which was originally offered.

MR. MUNDELL: Why is it that British ships - taking the British as an example - Commonwealth ships, are not feared as a factor in the trade here, where they are feared as a factor on the East Coast, let us say, where they do play an active part?

MR. BONNER: Part of the answer lies in our geographical isolation or remoteness from the United Kingdom, and also because a different type of ship, I am told, is employed in that trade on the East Coast.

MR. MUNDELL: It has been said to the Commission that the bulk of the coasting trade, certainly as far as the bulk trade is concerned on the West Coast, is now carried in barges and scows. Would that be correct?

MR. BONNER: We have a good deal of that

here.

MR. MUNDELL: To the exclusion, it has been suggested, of ordinary shipping, and that that is the reason why the British shipping is not offering any competition here.

MR. BONNER: There is no doubt that the tugs and barges are a predominant feature of our coastal trade, but as to the exclusion, I am not prepared to say.

MR. MUNDELL: Possibly in the outline of the present pattern of shipping this point could be expanded.

MR. BONNER: Yes, I will direct my attention to that point.

MR. MUNDELL: The extent to which the bulk materials move in scows and barges, and what happens also with regard to the packaged freight, as to how that moves. I think that would be of great assistance to the Commission. Then in your brief it is pointed out that costs in the British Columbia shipyards are higher than average costs in the rest of Canada, and you mention the high wage costs. I wondered if you had any comments or explanation which you might offer to the Commission as to why these wage costs are higher than in other parts of Canada in the same industry.

MR. BONNER: I understand that the industry itself will be making a submission, and I would prefer the answer to come from that group.

MR. MUNDELL: If I might come back for one

moment to an earlier point, is it correct to interpret your Government's brief as not being in favour of restrictions on coasting trade?

MR. BONNER: Yes, that would be correct.

MR. MUNDELL: In recommending the subsidy, had you given any study to the possible cost of the payment of the subsidy, or had you given consideration to the particular type of administration, or is this just a statement of principle?

MR. BONNER: We have addressed ourselves only to principle on this point.

MR. MUNDELL: I think, my lord, subject to your direction, if the information as to the general pattern of the present coasting trade is to go in in Vancouver, we might very well reserve further questions to arise out of that presentation, if that is agreeable to you.

THE CHAIRMAN: Yes, you will have an opportunity when you have read that material to ask any further questions.

MR. BONNER: May I say, my lord, that I am instructed that we may have considerable difficulty, from our own resources, in furnishing complete information on the pattern of trade. This is not the type of information that we ordinarily gather provincially, and in developing the pattern I might suggest to my learned friend that he should direct questions of a general nature to expert groups who are coming after me, from whom the picture perhaps may be more thoroughly developed than we could do

ourselves.

MR. MUNDELL: I had in mind whether we could obtain for the benefit of the Commission a sort of map of the present scheduled routes and the extent to which non-scheduled shipping plays a part in it, and the nature of the shipping, whether it is scow or barge, and whether the cargoes are bulk or packaged - that sort of thing. I do not think that any one person would be in a position to give us the full picture.

MR. BONNER: I could undertake to give whatever information we have available. By reason of our jurisdictional interest in the matter, that information may be of a limited nature.

MR. MUNDELL: Thank you very much. I think that is all I have to ask at the moment.

THE CHAIRMAN: Do you wish to ask any questions, Mr. Gerity?

MR. GERITY: Yes, Mr. Chairman, if you please. Mr. Bonner, I represent the Canadian Ship Building and Ship Repairing Association, and also the Dominion Marine Association, which is a Lake Carriers organization. For our present purposes anyway, I am speaking for the Canadian Ship Building Association. Your brief says that the presence of British ships on this coast is of no immediate concern to the Government. Is that so?

MR. BONNER: That may be what the brief says, yes.

MR. GERITY: In other words, they are not

a significant factor, and yet I understand it is also the attitude of your Government that you are not in favour of restriction of the coast-wise trade to Canadian vessels.

MR. BONNER: Yes, that is right.

MR. GERITY: So then if I suggest to the Government of British Columbia that one of the best methods of supporting shipyards is the restriction of trade to Canadian vessels, I take it your answer is that the Government prefers subsidy.

MR. BONNER: My answer is that that is an interesting suggestion.

MR. GERITY: I think you were the one who mentioned it, because it is in your brief - by providing subsidies to the extent of the difference in cost - and yet I think also you said for the Government that subsidies were a difficult thing to handle because they can get out of hand. Would it not be more logical to suggest to this Commission that the shipyards might very well find a ready source of business in supplying our own native industry than they would in looking to the Federal Government for subsidies?

THE CHAIRMAN: Are you referring to shipbuilding in British Columbia?

MR. GERITY: I am at this point, but I think it has been the case throughout the country that they have asked this Commission for restriction of the coasting trade to Canadian-registered and built ships as a primary method of supporting

their industry.

THE CHAIRMAN: Yes, but I was concerned with whether that restriction would be of any effect in supporting the shipbuilding industry in British Columbia, because Mr. Bonner says that the only ships engaged in it are ships of Canadian registry. Now I know many of them are built elsewhere than in Canada.

MR. GERITY: My lord, if I might suggest it, the greater part of the passenger trade of this Province is moved in vessels built elsewhere. In the next fifty years my information is that the industry on this coast might expect to build at least fifty such vessels, if the population of this Province expands and it is faced, as it always will be, with the geographical difficulties of a coastline such as this. This industry is looking to the future and it would consider that the building of passenger ships and ferries is quite as important a part of its business as the building of scows and log-rolling vessels of one kind and another. I may not have quite the right term there but ---

THE CHAIRMAN: Then you are calling Mr. Bonner's attention particularly to the possibility of building passenger, or mixed passenger and freight, vessels.

MR. GERITY: Yes, and ferries, my lord. My information is that to keep work forces of any importance in the shipyards, particularly the designing and drafting forces, they must have build-

ing in order to keep men of the necessary skill in the shipyards of this Province, which is remote from the industrial areas of Canada, or else they will merely drift into other employment and not come back to the shipyards. It is well over a thousand miles to the nearest industrial area in this country, and the economists' general remarks about mobile work forces are, I think, inapplicable to this Province.

However, Mr. Bonner, to return to you if I may, I take it that the Government simply do not think that restriction will offer exactly the same thing without subsidy. That is what the industry asks for.

MR. BONNER: The view that we hold is that restriction will bear with unnatural weight upon the people of the West Coast, whereas, if that is one way of achieving some benefit to the shipbuilding industry of Canada, we think that it should be assumed in the national interest and the same result achieved by subsidy.

MR. GERITY: Well I am sorry to be tiresome about this, but if the vessels which you use on the coast, outside of passenger vessels, are not built in the United Kingdom, is not the only effect of restriction to ensure that future passenger and other vessels will be built on this coast?

MR. BONNER: I think my learned friend and I are not so far apart as our situation might, at first glance, indicate. We are naturally anxious that Canadian shipyards supply, wherever possible,

ships for use in the Canadian Merchant service. Heretofore I think perhaps most of the vessels plying this coast have come from British yards. I am not prepared to explain why that should be so except to indicate that it is a fact. There is no suggestion, however, that if you are to restrict the coastal trade to vessels that were Canadian-built we shall, at the same time, improve the condition of water traffic for our people, and we are anxious to ensure that in whatever improvement is brought about in the shipyard industry it should at the same time not bear on the users of the British Columbia coastwise shipping exclusively, but if it is as important as we think it is it should be assumed on a national basis, and that is the reason why the argument for subsidy has been advanced.

MR. GERITY: Well, Mr. Bonner, I see that we cannot quite get together on this question. I merely suggest, for the purposes of the record, that the primary method of ensuring shipyard employment is to reserve the coastal trade, as other nations do. However, as to higher costs in the yards, I realize that the industry has figures but I think we would be interested, and I am sure the Commission would be, if your friends, Messrs. Glover and Whelan, could supply some figures as to hourly labour costs in other industries in this Province.

MR. BONNER: What industries do you have in mind?

MR. GERITY: Principally the logging industry and, I presume, the construction industry, which I suppose has been a large factor recently.

MR. BONNER: Those figures can be produced but they mean nothing unless they are equated with the industrial efficiency of the industry concerned. Whereas many of our industries have very high hourly rates of pay, they nevertheless are attended by very high per hour efficiency of labour output for the labour forces employed. By saying that I am not suggesting that that is not characteristic of the shipbuilding industry as well, but I am stating that in quoting figures without doing that will not mean anything.

MR. GERITY: Perhaps I might elaborate, my lord. I understand the position is this, Mr. Bonner, that in British Columbia there is a small skilled labour work force, and if other industries are competing against shipyards for labour, inevitably the shipyards must bring up their costs, that is, as to hourly labour.

MR. BONNER: There is no doubt that the hourly rates in the shipyards arise from and are connected with the general rates in the Province. I am not arguing that point for a moment.

MR. GERITY: We were informed by our learned economists in Winnipeg that in the United States there is a six percent differential paid by the Maritime Commission to the West Coast yards, and the reason given for it was that they were

remote from the industrial areas and labour was not freely accessible to them, and therefore they had to pay higher rates to maintain labour in those yards. Would your advisers agree with that?

MR. BONNER: I think that is probably true. As a matter of fact, that is one of the best arguments for subsidy.

MR. GERITY: If I said that the industry on this coast was prepared to compete with the East Coast and Central Canadian yards, would that answer the subsidy question again?

MR. BONNER: If that were so we would not need the subsidy, no.

THE CHAIRMAN: It is not so now, and Mr. Gerity is saying to you that it can be so with restriction to Canadian bottoms. I still feel some considerable doubt on that topic, because what you would get added by Canadian bottoms that is coming in now from overseas is just the passenger ferry business; is not that so? You said that only a negligible quantity of your bulk carriage is in other than Canadian bottoms.

MR. BONNER: That is my understanding, my lord - Canadian registry, in any event.

THE CHAIRMAN: When you use the word "foreign" in your brief do you include in the word "foreign" United Kingdom?

MR. BONNER: United Kingdom and American, sir.

MR. GERITY: Arising out of what the

Chairman said, Mr. Bonner, surely American-registered ships are not allowed to trade between Canadian ports.

MR. MUNDELL: That is so by law.

MR. GERITY: I know it is, but the Chairman asked what he meant by foreign vessels and he said that included American, and I am merely pointing that out as a matter of information.

THE CHAIRMAN: The reference I made was to foreign-built vessels, and I wanted to know what was meant by the word "foreign".

MR. GERITY: The opening phrase in the brief says that foreign vessels are not a significant factor in the coasting trade of British Columbia.

THE CHAIRMAN: "Foreign" can only mean the United Kingdom, because nothing else has any legal right to enter the coasting trade.

MR. GERITY: Yes. Thank you, Mr. Bonner.

THE CHAIRMAN: Are there any other questions?

MR. WRIGHT: My lord, there are a few questions I would like to ask Mr. Bonner. I represent the Canadian Pacific Railway Company and I am interested in the section of your brief dealing with inter-coastal trade, on page 2. There you say, I think, that inter-coastal trade is important to British Columbia mainly because of the effect which it has on trans-continental rates. That is correct, is it not?

MR. BONNER: That is correct.

MR. WRIGHT: And I suppose you will agree that vigorous competition between the trans-

continental railways and the inter-coastal shipping interests would be important.

MR. BONNER: Highly desirable.

MR. WRIGHT: Highly desirable, yes. Would you also agree that each agency, that is the railways and the shipping people, should be given an equal opportunity to compete for any traffic that is offering for transportation between the two coasts?

MR. BONNER: Yes.

MR. WRIGHT: Are you familiar with the situation with respect to the regulation of railways and inter-coastal shipping?

MR. BONNER: I do not consider myself an expert on that subject, no.

MR. WRIGHT: I think you appreciate that there is the Railways Act regulating railway rates and that there is the Transport Act, and that under the Transport Act only the package freighters on the Great Lakes, generally speaking, are regulated and that inter-coastal shipping is exempt from regulation.

MR. BONNER: I appreciate that, yes.

MR. WRIGHT: You appreciate that. Now if competition between these two carriage agencies is to work to the best advantage of all would it not be desirable that they both should be subjected to the same type of regulation?

MR. BONNER: Or the lack of it.

MR. WRIGHT: Or the lack of it, yes. Then you would agree with the principle of impartiality?

MR. BONNER: I suppose one always has to agree to be impartial.

MR. WRIGHT: Have you given any consideration to the question whether or not the provisions of the Transport Act should be extended to inter-coastal trade?

THE CHAIRMAN: What provisions?

MR. WRIGHT: Licensing.

THE CHAIRMAN: That is a pretty broad question.

MR. WRIGHT: And regulation.

THE CHAIRMAN: Licensing on the basis of convenience and necessity; is that what you mean?

MR. WRIGHT: Yes, my lord, licensing on the basis of convenience and necessity.

THE CHAIRMAN: Put that question to Mr. Bonner, because that is very different from the broad question you did put.

MR. WRIGHT: Yes, I will put it in that way then. In the question I am referring to the licensing provisions of the Transport Act, and the other provisions with respect to freight regulation which are contained, I think it is, in Part III of the Transport Act.

MR. BONNER: I think in connection with that, though it is only an impression, that if we place inter-coastal steamships on the same basis as the railways then we will probably have the same difficulties in both industries that we now have only in one.

MR. WRIGHT: What do you mean by that?

MR. BONNER: Well, we have had years of difficulty with freight rates in this Province. In fact, the Province of British Columbia's attitude on this thing transcends all governments and all policies over the years in its uniformity of attitude, and it is only within the last two years in fact that we have been getting into a situation which appears to us from our own purely Provincial point of view to be an equitable one so far as transcontinental freight rates are concerned. We are at a geographic disadvantage with regard to railway rates, and there is a lot to be said on behalf of the railways and the rates they have charged over the years. One of the advantages of our position has been apparent since the completion of the Panama Canal and the possibility of shipping with its comparatively free-of-competition attitude coming in and giving us rates that make railway rates more bearable. I am speaking from the inter-provincial point of view. If you tie up inter-coastal shipping in the same way as you have tied up the railways we just have another wide range of hearings and headaches to go through that we have had over the years in regard to the railways. Frankly, I think that would be an unhappy situation.

MR. WRIGHT: Is it your view that regulation of the railways should be withdrawn, or gradually abandoned?

MR. BONNER: I am not addressing myself to that at all.

MR. WRIGHT: No. Accepting the fact, Mr. Bonner, that railways are regulated, how can the railways effectively compete with these inter-coastal carriers when they have no certain knowledge of the strength of this competition? The railways, as I think you will appreciate, cannot have that knowledge when they do not know the rates of the competitors.

MR. BONNER: I have never found the railways to be at a loss at knowing what the shipping rates were that they had to meet. They have a very fine and intelligent staff, and I would not under-rate them on that score at all.

THE CHAIRMAN: I was just thinking the same thing at the same time, Mr. Bonner. There is very little ignorance of what the competition is.

MR. WRIGHT: You do appreciate, though, that the rates of the competition are not necessarily published.

MR. BONNERX: That may be true, but they are almost inevitably well known.

MR. WRIGHT: And those rates can be changed from day to day, or from hour to hour.

MR. BONNER: Yes, or from minute to minute

to meet the competition.

MR. WRIGHT: Yes, which the railways cannot do.

MR. BONNER: If you are trying to paint a picture of the railways being in a helpless position I cannot go along with you.

MR. WRIGHT: No. I am not endeavouring to do that; I am endeavouring to show what position the railways are in as against the water competition.

MR. BONNER: The fact remains that the railways are in business, and they have been for quite a long while, and I expect them to be for many years to come.

MR. WRIGHT: Well, we will be in business for years to come, we hope. Mr. Bonner, in your brief you mention, in that same section, that the completion of the Seaway should provide a considerable stimulus to the inter-coastal movement. What did you have in mind there particularly in making that statement?

MR. BONNER: Well, by permitting the inter-coastal ports, in effect, to be moved inland it is conceivable that certain classes of goods will become carried increasingly by ship rather than by rail.

MR. WRIGHT: Yes.

MR. BONNER: It will be the low-value bulky commodities.

MR. WRIGHT: That is all you had in mind?

MR. BONNER: Yes.

THE CHAIRMAN: Could you not send a shipload of automobiles directly from Windsor to Victoria with no transshipment at all?

MR. BONNER: Exactly, my lord; that is exactly the type of low-value bulky commodity that might be carried.

MR. WRIGHT: I suppose, Mr. Bonner, that a certain percentage of the package freight might also move via the Panama Canal?

MR. BONNER: I am inclined to doubt it. Package freight is ordinarily not in the same class as heavy machinery or wheat.

MR. WRIGHT: Yes; it would more likely apply to the heavy low-rate goods.

MR. BONNER: Yes, that is right.

MR. GERITY: May it please you, Mr. Chairman, for the British Columbia member shipyards of the Canadian Ship Building and Ship Repairing Association Mr. H.A. Wallace, Vice-President and Managing Director of Yarrows Limited will commence the submission.

MR. MUNDELL: I think there has been a misunderstanding, my lord. The City of Victoria has a short presentation to make, and I think it should be the next.

SUBMISSION OF THE CITY OF VICTORIA

A.J. Patton, City Solicitor, appearing.

MR. PATTON: May it please you, Mr. Chairman, and gentlemen, the City of Victoria is fundamentally concerned in this matter with reference to

the unemployment situation that the shipyards, should they close down or be curtailed in their work, would present to our City Council. City Council, therefore, has taken the position that they will associate themselves with a brief that was presented to them and studied by them, and to which I now wish to refer. This is a submission that will be presented in Vancouver, I presume, this coming week from the Vancouver, New Westminster and District Metal Trades Council and the Shipyard General Workers' Federation, and endorsed by certain other shipbuilding concerns and employment agencies. It is not very often that Victoria associates itself with labour, but this time we are doing that. I might say the Council made a study of this submission, and we are wholeheartedly in agreement with it, and, therefore, just for the record I am going to present an extract of a resolution prepared by the City. I will just read it; it is a very short memorandum:

"Alderman MacMillan moved, seconded "by Alderman Murdoch, that the communica- "tions and Brief be received and placed on "file; and that the City Council endorse "the Brief, dated June, 1955, submitted "jointly by the Vancouver, New Westminster "and district Metal Trades Council, the "Victoria and District Metal Trades Coun- "cil, and the Shipyard General Workers' "Federation, to the Royal Commission set "up by the Federal Government to inquire

"into the coastal shipping trade and the "shipping industry in general."

With that statement I leave the brief, with which we wholeheartedly concur, to be presented to you next week.

THE CHAIRMAN: Thank you, Mr. Patton. You do not wish to deal with that brief at this time, Mr. Mundell?

MR. MUNDELL: No. As I understand it, the City is endorsing the brief, but leaving the presentation of the brief ---

MR. PATTON: Yes, to be presented by the other parties.

MR. MUNDELL: Yes. Then, I think the next will be the member shipyards.

SUBMISSION OF MEMBER SHIPYARDS OF THE CANADIAN SHIP BUILDING AND SHIP REPAIRING ASSOCIATION.

H.A. Wallace of Yarrows Ltd., and Harold Husband of Victoria Machinery Depot appearing.

MR. GERITY: Mr. Chairman, I merely wanted to remark briefly that Messrs. Wallace and Husband of the British Columbia member shipyards will present a submission to the Commission, and if the Chairman so directs they would prefer that either of them might answer questions because they belong to two different rival yards and the knowledge of one may be different from the knowledge of the other. There will be one other member yard which will appear at Vancouver to supplement anything from their particular point of view later in the

week.

THE CHAIRMAN: Yes, Mr. Wallace?

MR. WALLACE: Mr. Chairman and members of the Commission, my name is H.A. Wallace, and I am Vice-President of Yarrows Ltd. of Victoria. I appear before you as a member of the British Columbia branch of the Canadian Ship Building and Ship Repairing Association. On behalf of the British Columbia shipyards I welcome you, Mr. Chairman, and members of your Commission, to British Columbia. We are very pleased that you have come out here to see at first hand the condition in our coast-wise shipping and in our shipbuilding industry. I was very pleased to have you, Mr. Chairman, and the Commission at Yarrows' this morning, and more than happy that we could show you a shipyard that was fairly busy, but I can assure you that this busy condition that you saw this morning is not something that has always existed in our yard here at Victoria, or at Vancouver. In my lifetime in the shipbuilding and ship repairing business I have seen the shipyards very depressed, and the shipyard business is one that goes up and comes down very often. It seems that during times of emergency, and wartime, are the only times when our shipyards really operate with some continuity.

It was in the latter part of the 20s, Mr. Chairman, and the greater part of the 30s that we were very depressed in the shipyards here. Our men would come down to the yard for work in the morning and we would be able to take on very few

of these men, and the others would have to go home. There was no other work going on at that time in the Province. As you know, Canada at that time was in bad shape, and these men could only go home. We are hoping that we can get something in the shipbuilding industry that will give us some continuity, something to be looked forward to, something which will enable us to say that in a few years from now our business will be going, and we will be able to attract good mechanics and good technicians to our industry so that they will look to the shipbuilding industry as a life-long work.

In 1950, again, we found ourselves in bad shape. Our manpower in the shipyards was down to almost that of the 1930 level, and we were only saved by the timely naval programme that was instituted by the Government.

This morning, while you were at the shipyard, you noticed a British ship under repair, the "King Stephen". This vessel is undergoing what we term an emergency repair. She came in here in trouble with her rudder carried away, and her main engines were in need of repair. That is the type of repair we get here. That ship could not go on unless something was done to her. The ordinary overhauls and repairs that are done to British and foreign ships are usually kept for the home ports of these ships, or ports where the work is done cheaper than it is in British Columbia, so it is really only the emergency repairs that we can

get here in British Columbia.

You saw a steel barge being built at Yarrows' this morning. This is one of the efforts - one of the strenuous efforts - that has been put forward by the British Columbia shipbuilders to try to encourage our tow-boat companies to build more modern barges - barges that will carry their loads cheaper and tow easier. We have had some success in that regard, and a number of tow-boat companies are building barges of this newer type which we have now developed. This is very welcome new business but it is not large and it employs only the steel-working trade.

You also saw something at the yard this morning of our attempts at diversification. You saw the tanks and various structures that we were building in order to try to supplement our shipbuilding work, so that we can give more men more employment and make our work steadier.

Then, lastly, you could readily see that our naval work is a very large part of the work that we are doing at the shipyard, and it is so at the other yards.

I would now like to review, briefly, some of the points brought out by the main brief submitted in Ottawa.

"The British Columbia member shipyards "of the Canadian Shipbuilding and Ship Re- "pairing Association subscribe in full to "the main brief presented to the Commis- "sion in Ottawa on July 13th of this year.

"That brief made the following main "points:

"(1) Because of higher standards of living "in Canada, and because labour costs are the "major factor in determining the cost of "ships, it costs more to build a ship in "Canada than it does in any other country with "the exception of the United States of America.

"(2) More important than a discussion of "relative costs of shipbuilding or freight "is the necessity to Canada and free men every-"where of keeping alive the capacity in this "nation to convert rapidly to wartime produc-"tion if necessary.

"(3) The free nations have, in two world "wars, demonstrated their capacity to build "ships faster than the enemy could sink them. "But with an enemy armed with the hydrogen "bomb we cannot expect U.K. yards, in a future "war, could even approach the contribution "they made in World War II.

"(4) Thus it is essential to the survival "of freedom that the capacity to turn out a "huge tonnage of shipping in an emergency "be kept alive on this continent.

"(5) British statesmen frankly concede "that without this capacity to build ships "quickly in North America, freedom would "not have survived in the past, could not "survive in the future.

"(6) The United States, recognizing this need, "is carrying out a program at vast expense to "be ready for any eventuality.

"(7) We ask for no such costly program in "Canada. Our request is simply that Canada's "coasting trade, in the future, be reserved "for ships built and registered in Canada.

"Those points, which West Coast Ship-"yards endorse, apply with equal force to "shipyards in every part of Canada.

"The brief (B-103) which I am about to "summarize emphasizes problems peculiar to "shipbuilders on Canada's Pacific Coast.

"British Columbia is a seafaring pro-"vince. Some 13,600 of its men are employed "directly in maritime occupations, indicating "that B.C.'s shipping and shipbuilding indus-"tries have something like 40,000 men, women "and shildren dependent upon them for their "livelihoods.

"Our brief, which has been filed with "the Commission, urges the Commission to "recommend the restriction of the coasting "trade to vessels built and registered in "Canada, as a means not only of protecting "the livelihood of a good part of our popu-"lation, but also as a means of ensuring "that shipyards of this coast may remain a "vital link in Canada's national defence "system.

"As long as there exists even the "faintest peril of a third great war, we submit "that a shipbuilding policy ensuring the speedy "and effective conversion of shipyards to emer-"gency status must be considered as a prime "objective not only to the people of British "Columbia, but to all Canadians.

"There is no way of telling whether or "not there will be another war. Nor can anyone "say with certainty how long such a war would "last. But there can be no doubt that if war "should strike again its devastation would be "unprecendented, especially in the thickly "populated industrial areas of the world.

"Our brief submits that because of the "strategic position of British Columbia ship-"yards, they must be maintained in a position "from which a speedy conversion to war footing "can be made. Mr. L.B. Pearson, Minister of "External Affairs, in speaking before the "Canadian Club in Victoria on August 26th, "is reported to have said, and I read from "a news item in the Victoria Daily Times, "'Caution and eternal vigilance should fol-"low every move in Russian-Western relations.' "He stressed that Geneva settled nothing and "that we would be very unwise to exaggerate "the success of the meeting at the summit. "He said the West should go halfway or more "than halfway, but should also refuse to

"lower our strength. Mr. Pearson continued "by saying, 'We must resist the temptation to "relax our efforts and to weaken.'

"West Coast Shipyards play a leading "role in their local communities. Rear-Admiral "Pullen, in his first public address since "taking over as Flag Officer, Pacific Coast, "emphasized before the Rotary Club in Victoria "on August 25th the impact on the economic "structure of British Columbia and, more direct-"ly, Victoria, of the naval growth over the "past five years.

"Admiral Pullen reviewed naval policy "which led to the development of Canada's "current naval strength. He said 'It was essen-"tial that the necessity for a peacetime navy "be established and one which would provide "the basis for expansion in an emergency.'

"The Victoria Times in an editorial "'The Navy and Local Economy' had this to say "of Admiral Pullen's address, 'The people of "this community join Admiral Pullen in a rec-"ognition of a splendid service and because "of his remarks have a better understanding "of the vitality naval expenditures add to "the economic bloodstream of the city and "Vancouver Island.'

"The three British Columbia shipyards "last year provided a payroll of $10,627,664.29 "while giving employment to 2,514 men. In

"Greater Victoria alone, 1,500 shipyard employ-
"ees were paid a total of $5,875,794. Another
"$1,750,000 was paid to local suppliers for
"goods and services. Any serious decline in
"this major industry would create hardship to
"such a community.

"But the economic impact of shipbuilding
"spreads far beyond the borders of coastal
"cities and touches the well-being of persons
"and industries in almost every part of the
"nation.

"For a shipyard is a gigantic, complex
"plant. It brings together the products of
"industries across the nation for highly
"skilled men of many trades to put together.

"A shipyard will call on scores of sup-
"pliers for the components of a single ship.
"almost every Canadian industry supplies
"something.

"Last year alone, British Columbia ship-
"yards paid $13,576,907 to suppliers and manu-
"facturers across Canada for the materials
"they needed for the relatively modest pro-
"gram of shipbuilding on hand.

"Thus the prospect of a decline in
"shipbuilding is not of concern in coastal
"areas alone. If, through lack of a peace-
"time preparedness policy, shipyards are
"allowed to deteriorate to their 1939 level
"or lower, the economic reverberations will

"be felt from coast to coast.

"From an almost complete standstill in "1939, British Columbia shipyards within three "years built up their working force from 1,000 "men to a peak of more than 25,000. They went "on to build an impressive total of 303 steel "vessels of 1,782,047 gross tons and repaired, "re-fitted and converted 2358 Allied vessels.

"That formidable accomplishment was "possible only because economic conditions of "the time were ideal for expansion and because "it was possible to take three whole years to "achieve peak production. During the 'thirties' "when there was no shipyard work available, "the key men of the industry had little choice "but to wait until there was. There were no "other jobs to go to. When it became neces- "sary to expand for wartime production, these "key men were still readily available to "train and lead the large pool of manpower, "especially from the Prairies, on hand at "the time.

"The skills to be learned at that "time were relatively simple. The job to be "done was building ships from ready-made "United Kingdom designs. Teams of key men "were imported from the United Kingdom to "assist in the huge expansion. Yet in spite "of these ideal circumstances for expansion, "it took three years to reach peak

"production. In the atomic age, a delay "half that long would be fatal.

"We unequivocally state that a similar "conversion could not be carried out in "British Columbia in the event of another war "if shipyard conditions are once again allowed "to sink back to 1939 levels.

"If we are forced to lay off key men "today, they will be absorbed almost immediate-"ly into other industries, and their special-"ized skills will be lost to the shipyards. "Since 1939 there has been a technological "revolution in Canadian Shipbuilding. The "ships required in the event of another war will "be definitely more complex than those required "in the last.

"Unless a way can be found to keep "British Columbia shipyards operating at a "reasonable level of activity, experience "that takes years to acquire will be lost to "the industry and the rapid emergency expan-"sion required by a future war will be im-"possible.

"Activity in British Columbia ship-"yards plunged drastically in the years fol-"lowing the war, reaching in 1950 a level "of employment scarcely 100 men above the "1939 figure. Only the timely institution "of a naval shipbuilding program saved the "industry from becoming permanently crippled

"and allowed the shipyards painstakingly to "repair the gaps in their rolls of technicians "and engineers. Even so, the post war crisis "was not without its casualties. No less "than five of the coast's eight shipyards were "closed and dismantled.

"Apart from the coastal trade, British "Columbia shipyards normally depend on three "main sources for work: naval construction and "repair; government service vessel construc- "tion and repair; and deep-sea repair.

"This year naval work accounts for more "than 50 percent of the work done in British "Columbia shipyards. But the naval program has "passed its peak and with no new naval work in "sight British Columbia yards face a rapid de- "cline which will begin affecting the capacity "for future work by the end of this year.

"Prospects for new work after the com- "pletion of the work now in hand are bleak. "We cannot compete in building for export. The "chances are remote for building for Canadian "deep-sea operators. Other than Government "work, our only hope is construction and re- "pair of ships in the coasting trade.

"Government department vessels con- "stitute a welcome but extremely limited "volume of work, and with the demise of "Canada's deep-sea fleet, work amounting to

"been lost to British Columbia.

"The disappearance of Canada's deep-sea "fleet not only makes the coastal fleet the "backbone of Canada's merchant marine, it also "leaves it as the only remaining source of work, "apart from naval work and deep-sea repairs, "for British Columbia shipyards.

"However, the continuing Canadian trend "that permits Commonwealth and foreign-built "ships to enter the coastal trade constitutes "a threat to the very existence of West Coast "shipyards.

"From 1946 to the middle of 1954 some "307 of these vessels, totalling 82,881 tons "have been imported for British Columbia's "coastal trade. They consisted of 206 powered "vessels and 101 scows and barges.

"Most of these imported ships were war "surplus United States vessels dumped on the "British Columbia market at a fraction of "their replacement cost. The estimated cost "of replacement of these ships is conserva- "tively estimated at $53,519,000 which might "be compared with the amount of work actually "done in B.C. shipyards during the same "period: $98,630,616.

"Shipbuilders complained vigorously "about the dumping of these craft in Canada, "and in 1950, the Minister of Transport was "given authority to stop the importations.

"However, between July 1950 and August 1954, "106 vessels, totalling 34,392 tons and repre- "senting a replacement value of $19,133,000 "have been put into service in the coastal "trade of B.C. from the same sources.

"A continuation of this relentless im- "porting of obsolescent and war surplus vessels "along with importations from the United King- "dom may well result in the deterioration of "the West Coast shipbuilding industry.

"There is nothing unreasonable about a "submission asking that the Canadian coasting "trade be reserved for ships built and regis- "tered in Canada. The shipyards of most "nations of the world look to their own coastal "services for business, and, indeed, most "countries even reserve a good proportion of "their foreign trade to their own national "shipping.

"Conditions roughly parallel to those "in Canada would have profoundly affected "the United States shipping and shipbuilding "industries had not that country taken a "firm policy of government support, justi- "fied by the requirements of national secur- "ity.

"The United States has reserved its "coasting trade for its own interests since "1817. Recently it has taken vigorous steps "to ensure that its shipbuilding will

"continue in vigorous health with a program "of subsidies costing U.S. taxpayers a sub- "stantial sum, not to mention several other "laws to encourage shipbuilding.

"We ask for no such costly program in "Canada. Our request is simply that Canada's "coasting trade, in the future, be reserved for "ships built and registered in Canada.

"Most essential Canadian industries are "effectively protected and encouraged so that "they will be able to play their true role in "time of war. Canadian law prohibits the im- "port of second-hand cars and aircraft. We "believe that the coasting trade should be re- "served to assist the Canadian shipyards.

"There is, indeed, a tariff of 25 per- "cent on the importation of foreign ships into "Canada's coasting trade. But this duty, "imposed more than half a century ago, is "singularly unrealistic and ineffective today. "United Kingdom shipyards, whose labor costs "are about a third of those paid by Canadian "shipyards, have built 4 passenger ships, "totalling 25,609 tons since the end of the "war for British Columbia's coastal service.

"It might be argued that the dollars "earned for Britain by the building of these "ships is justification for allowing Britain "to compete in Canada's coasting trade. But "the cost of those dollars for Britain is

"the crippling of British Columbia's ship-
"building industry at a time when it should be
"kept in readiness for emergency expansion.

"British Columbia shipyards need all of
"the business afforded by the coasting trade
"and more if they are to survive in any condi-
"tion to meet the emergency expansion they
"must face in the event of a war. It cannot be
"said to be in the interest of Britain if
"the Commonwealth's major Pacific shipyards are
"put out of action for the sake of a relatively
"small additional amount of dollars, no matter
"how badly needed by the mother country.

"It has been proven in two world wars
"that the strength of a nation's shipbuilding
"capacity is a measure of its ability to sur-
"vive. West Coast shipbuilders declare that
"if their yards are allowed to revert to any-
"thing approaching the stagnation of the 1930's,
"their strategic value in another emergency
"will be jeopardized.

"In order to protect that strategic
"value, in order to survive with the capa-
"city for rapid wartime expansion, these
"shipyards ask only what shipyards in almost
"every other nation in the world take for
"granted; the reservation of the coasting
"trade to Canadian built and Canadian regis-
"tered ships."

Mr. Husband will continue, Mr. Chairman.

THE CHAIRMAN: At this point I think we will have a ten-minute recess.

---The hearing recessed at 3.50 P.M.

---The hearing resumed at 4.00 P.M.

THE CHAIRMAN: Yes, Mr. Husband?

MR. MUNDELL: I understand, my lord, that the arrangement suggested is very similar to the one in the case of the Manitoba brief.

THE CHAIRMAN: Yes.

MR. HUSBAND: Mr. Chairman and members of the Coasting Trade Commission, it is not very often that I follow Mr. Wallace unless I am taking the opposite view. When we are at a meeting together it is usually for the submission of bids, in which I hope that I win, but I am sure the Commission will be very surprised to find that we have remarkable unanimity in our viewpoints today, and that we are presenting a united front.

Now I noticed that there were questions asked, and we have prepared a short summary, but I think that I would like at this time to leave with the Commission this very excellent topographical map of British Columbia, which is put out by the British Columbia Provincial Government, in 1955, which gives a very graphic idea of the coastal trade and water transportation in British Columbia, which of course, because of the heavily indented coastline and because of the very rugged terrain which you will see from the map, is very highly dependent upon

water transportation, and sea transportation is really the only practical means of maintaining, sustaining and developing our coastal trade industry.

---EXHIBIT NO. 45: Topographical Map of British Columbia, issued by Provincial Government in 1955.

You will notice from the map there that there are approximately seven thousand miles of shoreline in approximately one thousand lineal miles of coastline. There has been a survey of new settlement and new industry throughout the coast of British Columbia, and many of the new points of settlement or new industrial points are inaccessible except by sea transportation.

There are fifty-four passenger and freight vessels, of a gross tonnage of over 80,000 tons operating on regular schedules in our coastal waters. They are operating to and from various points in the coastal area. A recent development, which has been mentioned before today, in regard to the movement of commodities in British Columbia waters, is the expanded use of scows and barges. In British Columbia, there are now in service some twenty-nine special purpose covered barges with a dead weight tonnage of 23,250, and three hundred and ten open scows of 163,200 dead weight tons, and seven hundred and eighty-one open barges. We have fifty-two towboat companies operating three hundred and fifteen towboats ranging from 100 to 2600 h.p. They are used as a means of transportation for

pulling the barges and scows or for pulling log rafts used in the lumber industry.

It is very difficult to give you any figures as to the amount of traffic that travels in our coastal waters because no Customs clearances are necessary, of course, butwe have endeavoured for your information to make a survey of some of the major commodities. We have not gone into those types of commodities handled on pallets in the highly industrialized sections, but we have made an estimate that of logs handled in the coastal waters of British Columbia there are 3,000,000 feet board measure. In pulp chips for the pulp and paper industry, there are 1,800,000 tons; sand and gravel, 1,250,000 tons; hogged fuel, which is used for industrial heating purposes and for the sawmill boilers, 900,000 tons; lime rock, 500,000 tons; ore and petroleum, 465,500 tons; coal, 300,000 tons; pulp and paper, 216,000 tons; cement, 175,000 tons, and rock, 150,000 tons. That will give you some idea of the traffic that is handled in the newly growing industrial area along these coastal waters, and a large proportion of it is handled on the scows and barges.

To indicate the magnitude of our external trade in 1954 from British Columbia ports 1,209 deep-sea vessels of 5,000,000-odd registered tons entered British Columbia ports, and of this number only thirteen were Canadian ships - thirteen out of 1,209. These vessels brought into British Columbia 1,600,000 tons-odd of imports, while we

exported some 6,800,000 tons of cargo.

From the foregoing it will be seen that shipping, both coastal and deep-sea, plays a very important part in the economy of British Columbia and of Canada.

Mr. Chairman, at this time we would like to stress and to re-emphasize that our plea for the survival of British Columbia's shipyards is based very heavily on the strategic position of these three yards. Their vital importance was recognized by the Government of Canada in 1925, when they constructed the dry-docks at Esquimalt, British Columbia, which you visited this morning. It is a very extensive installation. The Royal Navy recognized the importance of the area as far back as 1858, when they established their naval base here. The large Royal Canadian Navy base at Esquimalt could be considered a second Canadian N.A.T.O. port both in peace and war. To perform efficiently the ships based on this port require shipyard facilities, both for construction and repair, and if for any reason the shipyard facilities are allowed to deteriorate it will interfere with our ability to counter any naval action that might develop in a war and might attract enemy action because of our weakness in that connection. We would suggest to the Commission that they interview the Naval Board at Ottawa to ascertain from them the value that is placed on the shipyards in British Columbia, both in peacetime and in the event of an emergency.

I would like further to leave with the Commission a map of the general Pacific area, which map no doubt is easily available to you, but on this map we have spotted the various locations and facilities for ship repairs and shipbuilding throughout the Pacific area from the list compiled by Lloyd's of London, which gives a very graphic idea of the various locations. To demonstrate the vast distances with which we are concerned here, and which are not generally thought of, if you made a journey from here to Montreal, a journey of that distance across the Pacific would take you less than halfway to Singapore.

Apart from the yards shown on this map at Hong Kong, Australia and Singapore ---

MR. GERIN-LAJOIE: Mr. Chairman, if I may be allowed to interrupt at this moment, perhaps these maps could be marked as exhibits. The first one filed a moment ago is marked Exhibit No. 45, and this map of the Pacific area might be marked Exhibit 46.

THE CHAIRMAN: Yes.

-- EXHIBIT NO. 46: Map of the Pacific area.

MR. HUSBAND: Apart from the yards shown on the map there at Hong Kong and Singapore, and those in Australia, the only important shipbuilding and ship repairing facilities in the Commonwealth on the Pacific Ocean are the three in this area, and it is inconceivable that the closing down of any of these yards could be viewed with satisfaction

by anybody but a potential enemy. It is inconceivable also that the industry of British Columbia, who are dependent to varying degrees on the well-being of these shipyards for repair and building facilities, should call for the continuance of a policy which would result in the crippling of these shipyards, and stop British Columbia shipbuilding and ship repairing as it is known today. Yet that is the prospect for the British Columbia shipyards, who have already been cut back drastically from their peak of about a decade ago, and without any new Navy work there is very little ahead for the yards in British Columbia as long as the current laws prevail, and to assist the continuance of the shipbuilding activity on this coast we are asking that those laws be changed.

Under the leadership of the Government of Canada, of the Royal Canadian Navy and of the Canadian shipbuilding industry, the industry has designed and built new minesweepers and destroyers. The minesweepers are now in service. You saw one of them this morning at Esquimalt dry-dock. It happened to be one built by our own yard, and we are very proud of the job that has been done on these minesweepers, and the Squadron that is operating in this area is very highly thought of. The first destroyer escort is now on trials in the St. Lawrence area. A third type of ship, an improved minesweeper, is being built now throughout Canada. These ships, Mr. Chairman, represent very great changes from the fighting ships of the last or of any previous

war. The advent of the snorkel and the atomic powered submarine have made necessary the development of fighting ships capable of combating this type of submarine. This has necessitated complete changes in the characteristics of speed and manoeuverability, new and intricate weapons to combat them, as well as the magnetic mines and new types of torpedoes; for instance, in the new minesweeper there is twenty-three miles of electrical cable. These new ships will be electronic marvels.

In developing the designs of these new ships Canadian technical men are solving problems which we in Canada have never attempted to do before. Many of these technicians are employed in industry at points remote from the shipyard areas. Manufacturing facilities have been set up in Canada which never before existed and which could not have appeared had it not been for the development of this naval work. These facilities are required for the development of equipment which was never manufactured before in Canada, and we in the industry have been forced to solve new problems in engineering, metallurgy, electronics, ballistics, communications, navigation, and strength of materials in order to complete these new ships. The value of this work goes far beyond the mere construction of the naval units. This benefit is proved by the great technological advances which have emerged into commercial side lines to the benefit of the whole population of Canada. A dormant shipbuilding

industry is unthinkable. No one questions the necessity of an electronics or aircraft industry, but for some unaccountable reason some people do not feel the same about shipbuilding, yet the development problems, the benefits, and the results in the side lines that develop are the same as from the electronics and aircraft industries.

Mr. Chairman, the present world situation as we see it is due to the strength of the Western nations rather than anything else, and if there are peaceful overtures being made at this time we believe it is because the Western nations are strong, but until these hopes for peace become realities we feel that Canada must retain at least her ability to convert to a war footing in the event of unforeseen deterioration in international affairs. If, in spite of universal hopes, war does break out, British Columbia shipyards will be called upon to do a job that will dwarf their efforts in World War II. The present Government of China and Russia has completely altered the existing pattern in the Pacific, and any future hostilities in the North Pacific Ocean, whose shores Canada shares with Soviet Russia and Red China, the North Pacific Ocean bids fair to become one of the most vital sea areas. If there is even the remotest possibility of any new conflict, it is in the interests of Canada and the Free World to see that the shipyards in the strategic Pacific area are not allowed to stagnate or perish.

Since the end of the last War the great deep-sea fleet created by the Canadian taxpayer has almost disappeared and Canada has become dependent upon tonnage under foreign flags to carry her commerce. In the event of another conflict we may be required to start from scratch and build a new Merchant Marine, and that is a very long job. What is more likely, if there is no change in the present situation, is that we will be called upon to repair and to maintain the ships of other flags when their own facilities are knocked out, and there will be a crying need for shipyard facilities on this North Pacific Coast if that occurs.

Canada's position in reference to deep-sea shipping and her ability to repair these ships if necessary will depend very largely upon the recommendations of this Commission as to whether or not changes should be made in the laws relating to the coasting trade of Canada.

In order to maintain our position in time of emergency, sea power is nedcessary. Sea power is not a limited term, it is not limited to materials and ships. It means more than materials and ships: it means port facilities, it means harbours, bases and factories. It includes shipbuilding and ship repairing facilities, and all these are elements of sea power. It is a functioning organization, and skilled manpower is required not only in the manning of the ships but in their building and in their maintenance.

Taking into consideration the vast areas of the Pacific Ocean as delineated on the map which has been placed before you, the long sea routes, our world trade and more particularly the necessity for bringing strategic materials from Southeast Asia, communications with Japan and Australia, the unlikelihood of being able to use repair facilities in any of the Eastern Pacific area in the event of war, the strategic importance of all ports in Western Canada, and their repair facilities hardly needs any stressing.

With the recent sale and scrapping of the Prince Rupert dry-dock, which was dismantled and shipped to Seattle, Victoria and Vancouver are the only remaining effective shipbuilding and ship repairing ports on the Pacific Coast of Canada. It was these West Coast ports that serviced ships for N.A.T.O. in Korea, and there may be other Koreas in the future.

We submit, Mr. Chairman, that the continued existence of the British Columbia shipyards both in peace and in war is of great strategic value to Canada and to her Allies.

Much has been said, and much will continue to be said before this Commission of the dollar sales that will be lost to Britain if Canada's coasting trade is in future restricted to ships built and registered in Canada. We would like to point out at this time that Canadian coast-wise shipbuilding is of an amount that is relatively small to Britain's shipyards, yet it would be, if

restricted to Canadian yards, a very vital part of the work that Canadian yards must have if they are to continue to function.

Since the last War three passenger ships and a train passenger ferry have been built in Great Britain for the Canadian Pacific Railway. They are for use in the coast-wise trade of British Columbia, and they total 25,609 tons. This would have been a very significant factor in the shipbuilding industry of British Columbia if we could have built them, but it is only a drop in the bucket to the United Kingdom yards. According to Shipping World and World Shipbuilding (London, England, June 30th, 1955) which we will file with the Commission, under construction at that time were seven hundred and fifty-five Merchant ships in the United Kingdom of a total of approximately 4,000,000 tons. This summary shows that Great Britain leads this list with seven hundred and fifty-five ships of approximately 4,000,000 tons. Then comes Germany with two hundred and fourteen of approximately 2,000,000 tons, and down at the bottom of the list above Hong Kong with two and Turkey with one is Canada with three of 12,000 tons.

---EXHIBIT NO. 47: Summary of Ocean-going Merchant Ships under construction as at June 30th, 1955 (from Shipping World and World Shipbuilding at London, England).

The termination of building for Canada's coasting trade will not put Britain out of business, because the amount of business in Canada's

coastal trade as compared with the amount of business offering does not represent a significant portion of the shipbuilding available to United Kingdom yards.

It has been suggested before this Commission that Canada's coastal shipping laws should remain unchanged in the interests of free trade and in the interests of free enterprise. Far from fostering free trade, however, Canada's coastal shipping laws in effect perpetuate a situation which must surely be unique among the nations of the world. The law as it stands makes it impossible for Canadian yards to compete with British yards for Canada's own shipbuilding construction, yet it effectively protects Britain against competition from other free countries of the world. As detailed in our main brief, British shipyards, paying less than a third the wage scale of British Columbia shipyards, can build a ship for much less than it would cost in a British Columbia yard. Since British ships may enter Canada's coasting trade duty free, Canadian yards are obviously unable to compete. Thus the twenty-five percent duty levied on foreign-built U.K. ships entering Canada's coasting trade, in effect has given United Kingdom yards effective protection against competition from other countries for Canada's coastal shipbuilding contracts. To us the situation appears to be the most favoured nation policy carried to the extreme, but whatever it is it is not free trade.

Under current conditions, with the end of

naval contracts in sight, British Columbia shipbuilders are not only unable to compete with the United Kingdom yards for the building of their coasting trade shipping, but they cannot even count on building contracts for the ever-expanding barge fleet which has become an important part of British Columbia's transportation picture, as I pointed out earlier.

Because Section 22 of the Canada Shipping Act (1950 Amendment) is ineffective, this fleet is being built up in a large measure by war surplus and obsolescent tonnage for use in the coastal waters of British Columbia. In recent months three British Columbia tugboat companies have made application to the Minister of Transport for permission to register in Canada five obsolescent ships, one of them eighty-seven years old. The Minister of Transport refused to grant permission to bring these old ships under Canadian registry. I quote from a clipping from the Montreal Gazette of August 2nd, 1955 in connection with one of these ships:

> "Scottish Lady, a famous old sailing "ship, will end her days as a barge for "Vancouver Tug Boat Company, Limited.
>
> "Now registered in London, papers "have just arrived permitting her new "life here.
>
> "The 87-year old vessel has a new "red, yellow and green paint job, and al-"though she flaunts no canvass, her fine

"lines plainly show off the beauty she once "possessed.

"Scottish Lady started her career in "1868 as La Escocesa, the Spanish version of "the present name. She ran regularly in the "South American trade until 1899 when she cap-"sized in New York harbor. Then she was trans-"ferred to the United States flag and renamed "Coalinga. Later she was converted to a barge "on Puget Sound.

"In the Second World War she again re-"appeared as the four-masted schooner Scottish "Lady. After the war she was laid up in Seattle "where she was purchased last year by the "Vancouver Tug Boat Company."

Despite the fact that the Minister did not consider these ships suitable for Canadian registry, his decision was thwarted by the owners who simply put the vessels on United Kingdom registry. These ships will soon be taking their part in Canada's coasting trade, particularly in British Columbia, under another section of the Canada Shipping Act, Section 671, which says in part, "no goods shall be transported by water or land and water from one place in Canada to another place in Canada either directly or by way of a foreign port, or for any part of the transportation in any ship other than a British ship." Under U.K. registry the ship will meet this requirement and will operate in our coastal waters and pay no duty.

We submit that control of British Columbia's coasting trade can be returned to the Canadian Government and abuses of this sort stopped simply and efficiently by restricting Canada's coasting trade in the future to ships built and registered in Canada.

Opponents of restriction of the coastal trade have based their objections almost entirely on the premise that such a restriction will be followed immediately by a drastic upward revision of freight rates. This premise is possibly based on a misunderstanding. The restriction that we are seeking would be on ships entering the coasting trade after a given date, say, maybe, January 1st, 1957. It does not mean that as at that date all ships not built and registered in Canada would be driven from Canadian waters. We would expect that all Canadian-owned United Kingdom registered vessels now in service would be allowed to continue to ply our coastal waters. As the restriction began to take effect, obsolete tonnage would be replaced by Canadian-built tonnage, but this replacement would be a gradual process extending over five, ten, twenty or thirty years. In an expanding economy such as that in British Columbia at the present time, such a replacement program might be effected over a long-range period with no substantial increase in freight charges.

Under the provisions of the Canadian Vessels Construction Assistance Act, new vessels built in Canada can be written off by accelerated depreciation in three years. Many Canadian companies

have taken advantage of this, and we commend the Government of Canada for its implementation which has been of great assistance to the Canadian shipowner and, indirectly, to the Canadian shipbuilder.

In spite of the higher cost of building ships in British Columbia, ships built in British Columbia yards will be designed with knowledge of the local requirements and they will be tailored to suit British Columbia's coasting trade. They will be more easily serviced and maintained, since they have been built in the yards of British Columbia, than those built abroad.

British Columbia's lumber and pulp and paper industries have had their operating costs cut, not increased, by building ships in British Columbia through the development in British Columbia yards of self-dumping log barges and specially designed fast-towing scows which have been built in the British Columbia shipyards. There is no reason to believe that the yards, with a long-term market, would not be able to effect similar economies in other coastal shipping problems to offset to a great degree the higher labour costs on this coast. We say that it would not necessarily cost more as far as the freight tariff is concerned if there was restriction of the coastal trade. Many of these ships that are being brought in here are being brought in at a low capital cost because they happen to be available on a bargain basis. They may not be suited to the particular trade that they are

going to be engaged upon. The towboat may not have the correct horsepower, it may not have the correct characteristics for the job that it is going to do. Also the ships in many cases are obsolescent and old, and while there is a saving in immediate capital cost, with the development that is going on in British Columbia at the present time it is probable that an increased capital cost originally and a longer life would not necessarily increase the freight rates.

It should be pointed out that reservation of the coasting trade would not leave British Columbia yards in a monopolistic position. We are very competitive with Yarrows and Burrard's, so far as VMD is concerned, and certainly there will be vigorous competition from other Canadian yards for any shipbuilding on this coast because of our high rates in this part of the country.

Restriction of the coasting trade will be no panacea for the shipyards of British Columbia; they will not thrive on that trade alone. In order that our shipyards may remain efficient in peace and in war, it is necessary that we have naval work, it is necessary that we have access to the special purpose jobs for the other Departments of Government, and it is necessary that we have our own repair and commercial work, and it is necessary that we have orders for coasting trade vessels. We will file with the Commission a list of seventy-two ships put into service since 1900 by British Columbia's three major coast-wise steamship lines,

Canadian National Steamships, Union Steamships Limited, and British Columbia Coast Steamships. This is a total of seventy-two ships that have been put into service since that time. Of these seventy-two ships only thirteen have been built in Canada. British Columbia Coast Steamships have put into service since 1900 twenty-five steamships, five of them built in Canada. Canadian National Steamships have put into service fourteen, of which one was built in Canada, and Union Steamships have had thirty-three since 1900, seven of them built in Canada.

---EXHIBIT NO. 48: Statement of Steamships put into service in British Columbia since 1900.

It is not unreasonable to assume that a like number of ships, with the development that is going on in British Columbia, will be built in the next fifty years. This would provide approximately one ship a year for the British Columbia shipyards, and would be a very welcome addition to the work which we have in the yards.

To the shipbuilding industry reservation is a matter of necessity, as we see it. It is true that ships can be built more cheaply in other lands, but so can almost any other manufactured product. British Columbia's shipbuilding industry has been established for over fifty years, and its well-being now affects employees and shareholders right across the nation. We believe it has earned the right to build and service its own coasting trade.

Mr. Wallace I think will now close the submission.

MR. WALLACE: Mr. Chairman, I have a few further remarks to make, if that is in order.

Mr. Chairman and Commissioners, under your terms of reference it may be that your Commission may give some consideration to representations made in some of the briefs that the application of any proposed reservation will vary in different geographical areas in Canada. To be more specific, it may be suggested to your Commission that reservation of Canada's coasting trade be applied only to the coasting trade in the area west of Anticosti Island in the St. Lawrence to the head of the Great Lakes, If the coasting trade of Canada was reserved for that area only, it would give the shipyards of that part of Canada a highly unfair advantage over the other shipyards of Canada, in particular those on the West Coast. At the present time British Columbia shipyards are finding it almost impossible to compete with Eastern Canadian yards because of wage and freight differentials. If reservation applied only to the Great Lakes and the St. Lawrence, the increased volume of work resulting therefrom would reduce the operating cost per unit of the shipyards in that area to the extent that it would then be impossible for the West Coast shipyards to build ships even for the coasting trade of British Columbia.

Furthermore, the British Columbia member

shipyards of the Canadian Ship Building and Ship Repairing Association do not believe that such discrimination would be in the interests of Canadian unity. We are unalterably opposed to any proposals which are not in the national interest. We feel very strongly that any recommendation made by this Commission to the Government of Canada should have the same application in all parts of Canada, and that no exceptions should be made which would treat one geographical area of Canada differently from any other.

When the Honourable Mr. Pearson was here last week he spoke at a meeting and he said that our greatest problem today is Canadian unity. We are very happy that our Government has appointed this Commission to consider our coast-wise trade problems and we hope that the findings will result in greater Canadian unity.

Mr. Chairman, this completes our submissions in Victoria.

MR. GERIN-LAJOIE: Mr. Chairman, I have a number of questions which I should like to put now to the representatives of the group appearing before your Commission. Of course, the persons presenting this particular brief, as the persons appearing before the Commission generally, whether in Victoria or elsewhere in Canada, will understand that the role of counsel is only to try and obtain clarification of briefs submitted to your Commission, and to try to obtain additional

information as far as possible, and when I say information I mean facts and also additional opinions.

I understand, Mr. Chairman, that the group would like to have the questions put to them as a group, and that the person whom they consider most suited to answer the question will do so in the name of the group.

Now, Mr. Chairman, I wonder if the representatives of the three companies appearing to-day as the British Columbia group of the Canadian Ship Building and Ship Repairing Association would be in a position to supply your Commission, it may be not right now but within the next few days, with percentage figures from their pay-rolls of the number of their employees and the gross value of the work done in three different categories: the industrial work they carry on, the ship building and the ship repairing. I would be glad to supply the group with a list or subdivisions of the information I should like to have for the Commission. Will it be possible for each of your three companies to supply the Commission with the information?

MR. WALLACE: Yes.

MR. HUSBAND: For what period did you say?

MR. GERIN-LAJOIE: For the period from 1945, or, say, the 1st of January, 1946, to the present time, for each individual year if possible. Percentage figures will be sufficient.

Now, if one looks at Appendix B filed with your brief showing the vessels imported and registered in British Columbia, 1945 to 1954, will you tell the Commission whether these figures cover only vessels engaged in coasting trade or whether they also include vessels registered in British Columbia but engaged in international trade?

MR. WALLACE: They include ships only in

the coasting trade.

MR. GERIN-LAJOIE: Would these ships make a few trips to the United States also, or would these ships engaged in such trips be excluded from this table?

MR. WALLACE: That is entirely in Canada. It might be possible that a barge might take a load to Seattle, but I do not think that any of these ships are used in that trade. It is possible that one of them might have taken one load.

MR. GERIN-LAJOIE: Do you mean that it would be only occasionally, and not usual?

MR. WALLACE: It is not the usual service.

MR. GERIN-LAJOIE: Therefore do I understand from your answer that vessels engaged in the coasting trade do not normally go to Seattle or other American ports, or is it usual for a number of ships, whether barges or others, to do such trips?

MR. WALLACE: There are some barges that carry materials from Canadian ports to United States ports, but the extent of that business is not too great. I could not give you any idea of how much it is.

MR. GERIN-LAJOIE: Now, I wonder if it would be possible for your group to supply the Commission with a more detailed table showing, over the period covered by Appendix B from 1945 to 1954 (a) the ships built in the United Kingdom, (b) those built in Canada, and then (c) those built

in other countries. This would be a more detailed table than the one included in your Appendix B, and it would also provide the Commission with a comparison of foreign built and Canadian built ships. I believe your group has not filed any table of vessels built in Canada and used in British Columbia; is that right?

MR. WALLACE: Are you referring to Appendix B?

MR. GERIN-LAJOIE: Yes, I am.

MR. WALLACE: None of these ships was built in Canada.

MR. GERIN-LAJOIE: I understand that, but some could be built in the United Kingdom and others in the United States; is that right?

MR. WALLACE: Yes. Just four of these were built in the United Kingdom; the remainder were built in the United States. The four were passenger ships which came in here for the Canadian Pacific Railway.

MR. GERIN-LAJOIE: Can you tell the Commission whether all these United States ships were second-hand ships or whether some of them could have been new ships?

MR. WALLACE: No, sir, they were all second-hand ships.

MR. GERIN-LAJOIE: Now, could you supply the Commission with an additional table showing the ships built in Canada and registered in British Columbia for the same period?

MR. WALLACE: For the same period?

MR. GERIN-LAJOIE: Yes.

MR. WALLACE: Yes. We would have to get that out, but we will get it out and submit it to you. Do you wish to keep them above any size, or do you want to take all the craft in?

MR. GERIN-LAJOIE: Well, all craft engaged in the coasting trade.

MR. WALLACE: All commercial craft?

MR. GERIN-LAJOIE: Yes.

MR. WALLACE: Yes. That would include fishing boats?

MR. GERIN-LAJOIE: If they are engaged in trade, not in fishing. If they are engaged in both, of course, you give them, but if they are engaged only in fishing, that is not trade as we mean it here.

THE CHAIRMAN: How can that be determined? They would know only the trade for which they were originally built, because I do not think these gentlemen can tell what happens to a ship after it leaves their yard. If a ship leaves their yards and goes to Northern British Columbia it might be engaged in fishing for six months and in trade for the next six months. You will have to make it up on the basis of the purpose for which the ship was built.

MR. GERIN-LAJOIE: These gentlemen can secure this information from the registry of the ships. If they are registered in British Columbia it should be possible to have a full

list of those ships.

THE CHAIRMAN: I think not. What do you say, Mr. Wallace, can you get that?

MR. WALLACE: That is right, we can take it off the registry of shipping in Canada. It would be quite a little chore, but we will get it out and submit it to you.

MR. GERIN-LAJOIE: Now, I wonder if it would be possible for you to give still more detailed information by giving not only the number of ships but their tonnage, or to group them by tonnage, let us say, and the type of vessels, whether they are freighters, self-propelled, or whether they are barges and scows. As you have it in Appendix B, that should be all right.

MR. HUSBAND: In the new list?

MR. GERIN-LAJOIE: Yes, in order to have a comparable table for Canadian built ships.

THE CHAIRMAN: Of the 206 in Appendix B that had powerunits in them, were any of them brought in for the purpose of having those units taken out and being turned into barges, the same as the 81 in the next year, because that is what is going on just now, is it not?

MR. WALLACE: I think there were, Mr. Chairman, but I could not say just how many. I think some came in that were powered and they were eventually turned into barges.

THE CHAIRMAN: What I am getting at is this: is the important end of this business

the importation of vessels for the purpose of use as barges, or are they being imported for use as vessels carrying on under their own power?

MR. WALLACE: There are 206 that came in, Mr. Chairman, as powered vessels, and I would imagine that nearly all of those are still powered vessels and still operating.

MR. HUSBAND: Tow-boats.

MR. WALLACE: Tow-boats, small freighters and small craft.

THE CHAIRMAN: So that roughly two-thirds of the importations over the period were units with power in them?

MR. WALLACE: That is right, sir.

THE CHAIRMAN: But only 81 have come in since 1950. Of course, so far as that situation is concerned, Mr. Wallace, that would require no change in the statutory provisions at all, would it? That would simply mean that what you want is a strict enforcement of the provisions of Section 22 which gives the Minister authority to permit the importation. If you had that it would cure it.

MR. HUSBAND: Well, Mr. Chairman, it is possible that if you wished to import a vessel from the United States, say a second-hand vessel, and you were refused permission to bring it in and pay the duty, you could then register it in a Commonwealth country and then pay the duty as a U.K. foreign ship.

THE CHAIRMAN: That would depend on the

United Kingdom registry regulations.

MR. HUSBAND: Supposing it were registered in Jamaica or Bermuda or in any Commonwealth country; if you register it there, and then you bring it into the country, you are then allowed to pay 25% duty on the appraised value and bring it in.

MR. GERITY: If I may speak to that matter, I think the history of the situation is that the amendment, Section 21(a) was put into the Canada Shipping Act in 1950 primarily for the purpose of preventing the importation of aged American Great Lakes vessels, so that they could not be taken out and registered elsewhere on this coast and on the east coast, but there is no legal barrier to registering them in the appropriate Commonwealth port, paying the 25% duty and ignoring Section 22 of the Statute as it now is.

THE CHAIRMAN: But they would have to remain registered in that place.

MR. GERITY: They would have to remain in Jamaica, Bermuda or wherever else it was.

THE CHAIRMAN: They would have to remain on the registry of the Commonwealth country.

MR. GERITY: Yes, they would have to do that, but they could still engage in the coastal trade, as long as they pay the 25% ad valorum duty. In other words, Section 21(a) has little or no relation to Section 22, part 1.

THE CHAIRMAN: Well, they could not engage in this barge business because there you have no

crew question, or only a very small crew.

MR. GERITY: Some of them may have no crew at all, but I do not think the port of registry has anything to do with the crew. They can very well use a Canadian crew, and in that way they can simply go ahead and flout the provisions of Section 22 of the Canada Shipping Act.

MR. HUSBAND: But, on the other hand, if I, as a Canadian, wish to bring that vessel in, since I am doing business in Canada, and wish to have it registered under Canadian registry, I cannot have it registered under Canadian registry.

THE CHAIRMAN: That could be dealt with by a plugging of the provisions of the Statute. I am not referring to the general question of restriction, but that could be dealt with by a plugging or a reformation of the provisions of the Statute dealing with registration of obsolete vessels.

MR. HUSBAND: In the case of these five that were mentioned, they were originally built in the United Kingdom, of course, but the same thing would have applied if they had not been, if they could have registered them in the United Kingdom.

MR. GERIN-LAJOIE: If we leave aside the question of vessels registered in British Columbia, I wonder if the gentlemen appearing before the Commission would be in a position to tell to what extent there are any non-Canadian registered vessels doing coasting trade on the British Columbia coast.

MR. GERITY: If I might speak to that for a minute, I think the Government of this Province told us that it was an insignificant matter, and that practically speaking only the collectors of Customs could provide that information. I think it would be rather difficult for my clients, as private individuals, to obtain the same information.

MR. GERIN-LAJOIE: If my friend Mr. Gerity will allow me, of course I am not forcing any answer from the persons appearing before the Commission. I am just asking if they are in a position to tell the Commission this information.

THE CHAIRMAN: Mr. Gerity has referred to Customs regulations, but this is the coasting trade, and Customs are not applicable, and counsel for the Government of British Columbia made that point, saying that it would be difficult for him to get the amount of the various coastal trades. I think the ship operators or ship builders would have a more accurate practical knowledge of it than one could ever get from any figures. The cases that you have mentioned, at any rate, are some of them, these cases where they have left their obsolete ships on United Kingdom registry and operated them in the Canadian coastal trade.

MR. GERIN-LAJOIE: Mr. Chairman, I believe Mr. Husband read from a paper clipping. I do not know if that information was first-hand information, and I wonder if he is in a position to confirm whether there are any United Kingdom

registered ships doing coasting trade on the coast of British Columbia.

MR. HUSBAND: I would not be positive, but I think so.

MR. GERIN-LAJOIE: You would not have any information as to the number of such ships, would you?

MR. HUSBAND: No, but as you will see from the numbers which have been imported here from the United States, it has not been necessary in that period to do more than apply and have them registered in Canada. Until these last ones were turned down, there had been some imported, and it has not been necessary to register them other than under Canadian registry.

MR. GERIN-LAJOIE: Well, of course, I quite understand, but just as a matter of information I wondered if you knew.

MR. HUSBAND: I do not know.

MR. GERIN-LAJOIE: Now, I believe Mr. Wallace has mentioned in his statement that the shipyards in British Columbia get only emergency repairs to do. Would this statement apply to the coasting trade ships?

MR. WALLACE: No, I referred to deep sea ships when I made that statement.

MR. GERIN-LAJOIE: Do I take it that coasting trade ships are all being repaired in British Columbia shipyards?

MR. WALLACE: Yes, I think they are almost

entirely repaired here.

MR. GERIN-LAJOIE: Now referring to those ships which have been imported from the United States, do you know if those ships were sold because they were unsuited for use in the United States? There was much question of obsolescence before this Commission to-day, so I wonder if these ships were really obsolete for use in the United States, and whether they were or were not obsolete, in your view, for use in Canada.

MR. WALLACE: Of course, there was a great surplus of ships after the war in the United States. They had far too many, so these ships were being sold very cheaply, and some of them were picked up by our Canadian owners. They were mostly built during the war time. They were good for some purposes. They could not have been obsolete for all purposes.

MR. GERIN-LAJOIE: Do you believe that in Canada they serve, for shipping purposes, a useful end, or do you think that more modern vessels should be substituted for them? What I have in mind is this: is your objection to the importation of such ships only that work should be given to Canadian shipyards, particularly the British Columbia ones, or also that they are really uneconomic, in your view, at any rate? The ship owners might have a different view, but I am asking your point of view on this question.

MR. WALLACE: Well, they were war time built

ships for a specific purpose, and they have been brought into service here for another purpose. I do not think that in all cases they were the most suitable ships for the purpose for which they were bought, but they were bought so cheaply that the owners could afford to adapt them or make some changes and use them for the purposes for which they were bought.

MR. GERIN-LAJOIE: Now could you tell the Commission whether those ships imported from the United States were being remodelled and repaired and transformed in British Columbia shipyards before going into service in the coasting trade of British Columbia?

MR. WALLACE: Yes, there was a certain amount of work which had to be done on them before they could go into our service -- on some of them, not all of them.

MR. GERIN-LAJOIE: Could you supply the Commission with figures giving an idea of the relation between the value of the work which has been done on these ships in British Columbia ship yards to the replacement cost at the time of importation of such ships? If I look at the figures mentioned in Appendix B, the replacement cost of ships imported from 1946 to 1954 there were 307 units, or about $53½ million. Would your group be in a position to give an idea of the value of the work done in your shipyards upon those ships to make them suitable for service in the coasting trade

of British Columbia?

MR. WALLACE: I do not think we could get that. I do not know how we would go about getting the cost, or the amount of money that has been spent on all of these ships for their conversion, or if there was any, to make them suitable for the Canadian trade. We know of the ones that we have done in our particular yards, but there are many other smaller yards that have done these conversions, and I do not know how we would go about getting that information for you.

MR. GERIN-LAJOIE: Would it be unfair to ask you whether you could give a rough idea of the value of these repairs or conversions compared to $53 million?

MR. WALLACE: I could only say that it is a very small amount as compared with the replacement value. That is about as definite as I can be.

THE CHAIRMAN: That same fraction would not work now, Mr. Wallace, with these conversions to self-unloading barges. The hulks that came up would not have a value greatly in excess of the amount of work that is being done on them.

MR. WALLACE: I am afraid I did not get the question.

THE CHAIRMAN: Take the ship which gets towed up here and is then turned into a self-unloading log barge. The worth of that ship when it is bought would not greatly exceed the amount of work on it in order to make it a self-unloading barge.

MR. WALLACE: You mean after it was completed the value of the ship would not be much more than the work which has been done?

THE CHAIRMAN: I mean comparing the X dollars that the owner pays for that ship, wherever he bought it, and the Y dollars that he pays your yard or some other yard to convertit, would there be much difference between X and Y?

MR. WALLACE: Oh, yes. On those particular barges there has been a fair amount spent on them to make them log barges.

THE CHAIRMAN: They are not in the category of the ships that came up under their own steam, and had a little work done on them just to repair some of the ravages of the sea during the war years?

MR. WALLACE: That is right.

THE CHAIRMAN: This is a different proposition.

MR. WALLACE: Yes.

THE CHAIRMAN: Conversion is to a very considerable extent ship building rather than ship repairing?

MR. WALLACE: No, I do not think it would be termed ship building.

THE CHAIRMAN: You would not term it ship building?

MR. WALLACE: No, it is definitely ship repairing. If you are just taking parts of that ship and renewing them, it is more in the nature of a repair than a conversion.

MR. GERIN-LAJOIE: Mr. Wallace, or Mr.

Husband, I am looking at pages 9 and 10 of your brief in the bound volume. I do not know if you have the same edition. You refer at the bottom of page 9 to deep sea vessels. I wonder if you have in mind here only vessels engaged in international trade, or also in coasting trade?

MR. WALLACE: That is international trade only.

MR. GERIN-LAJOIE: In connection with the information given at page 10, do I take it from your answer that the competition of British shipyards is not in any way at present or for the near future a menace to your own ship yards so far as ship building is concerned?

MR. WALLACE: To which part are you referring?

MR. GERIN-LAJOIE: Well, I am referring particularly to the cost of building a ship in Britain. You give the salaries which have to be paid in various countries, and I wondered if the competition, which you would call unfair, of foreign countries would be only in respect of the United States second-hand vessels or also the competition of the British ship yards.

MR. WALLACE: Very definitely the competition of the British ship yards in building ships for service in our coastwise trade.

THE CHAIRMAN: With regard to these 50 ships, or whatever the number was, since the beginning of the century ---

MR. WALLACE: Those are the Canadian ships,

the Canadian fleet, that have since left British Columbia? There were 50 of them.

THE CHAIRMAN: No, I was referring to something with perhaps a similarity of figures.

MR. BELANGER: The 54 passenger and freight ships.

THE CHAIRMAN: Those are the ones that you say the British are competing with. It was in the material that you gave us to-day, the 54 passenger and freight vessels built in the United Kingdom and brought to Canada, to British Columbia, since the beginning of the century.

MR. WALLACE: Those are the ships that have been in the British Columbia coasting service since the turn of the century. It was 72.

THE CHAIRMAN: 72, was it?

MR. WALLACE: Yes.

THE CHAIRMAN: That is where the competition from the British yards comes in.

MR. WALLACE: Yes, they have usually been built in British yards.

MR. GERIN-LAJOIE: I believe, Mr. Husband, that the Chairman is referring to the statement you made that there are 54 passenger and freight vessels of a gross total of over 80,000 tons operating on regular schedules in our coastal waters.

MR. HUSBAND: That is the number of ships -- and particularly the core of them are the Canadian National Steamships, the British Columbia

Coast Steamships and the Union Steamships -- that are still in service from the 72 that were originally built.

THE CHAIRMAN: Very few of those were built in Canada.

MR. HUSBAND: Only 13. I think it was 13.

MR. WALLACE: That is right.

THE CHAIRMAN: That is the competition, you say, of the British yards, with which you dealt?

MR. WALLACE: Yes, sir.

MR. GERIN-LAJOIE: Do you feel that there is any competition to fear from the British shipyards regarding open scows, open barges and tug boats used in the coastwise trade of British Columbia?

MR. HUSBAND: What was that question again?

MR. GERIN-LAJOIE: Is there any competition to be feared on your part from the British shipyards regarding the building of open scows, open barges and tug boats as they are used in the coastwise trade of British Columbia?

MR. WALLACE: So far we have had no competition in that way. It is a long way to bring an open barge or a scow, but it could be that we could have British competition on a tug boat.

MR. GERIN-LAJOIE: Is it your view that such boats could cross over the ocean?

MR. WALLACE: Yes, a tug boat could very easily come from Britain.

THE CHAIRMAN: They work on the ocean all the time?

MR. WALLACE: Yes, that is right.

MR. GERIN-LAJOIE: Now, regarding the competition of the British ship yards, you refer at page 10 of your brief, where I was referring to this paragraph a moment ago, to the low wages in Britain and other European countries. Do you feel that this is the major factor involved in the low cost of building ships in Britain, or would you feel that the problem of exchange between sterling and dollars is also a major factor?

MR. HUSBAND: They are both very significant factors.

MR. GERIN-LAJOIE: Now also at page 10 of your brief I read in the second last paragraph:

"It appears self-evident that a policy must "be adopted to assure that this domestic "fleet remains firmly within Canadian "control. Yet, unless a new policy is "formed, there is at leas t the possibility "that the Canadian coasting fleet will "sail off in the wake of the deep sea "fleet."

Would you explain a little what you had in mind when you made this statement?

MR. WALLACE: Well, we say that our deep sea fleet, as you know, has gone, and we say that there is at least a possibility of ships coming into our coastwise trade and sending our coastwise trade the same way as our deep sea fleet has gone.

THE CHAIRMAN: But they have not done it.

MR. WALLACE: No, but we say there is at least that possibility.

THE CHAIRMAN: And there is no change here. It is the same Pacific Ocean and the same Panama Canal. It is not the same situation as we have in the Great Lakes where a fourteen foot channel has been turned into a twenty-seven foot channel.

MR. WALLACE: That is right.

MR. GERIN-LAJOIE: I was coming to this question, Mr. Chairman: I would like these gentlemen to tell the Commission whether they think that this moment is any different from, for instance, the period between the two wars -- as to why there should be any change at this moment. Those groups appearing before the Commission in the east claimed that the coming of the St. Lawrence Seaway was a reason for changing the law. Do you feel that there is any reason why there should be a change regarding the British Columbia situation at this moment, and why?

MR. WALLACE: We have thought for 30 years that this business should be changed and we have petitioned the Government on numerous occasions. I remember back as far as 1921 we petitioned the Government to give us some protection on the coastwise fleet here. That condition still exists, and as our country grows the condition worsens.

MR. HUSBAND: May I add in addition to that that conditions have changed too, so far as the

necessity for strategically keeping a shipyard in operation is concerned. Between the two Great Wars it was possible fortunately quickly to expand the work forces of the shipyards to take care of the requirements of the Merchant Marine and the Navy. We have presented evidence, we consider, in our brief that you cannot expand as rapidly to build the type of vessels that are going to be required for the Navy in any future war, and therefore that, added to the expanding economic and industrial growth of British Columbia is a reason for giving us the ability to build craft for British Columbia waters which will contribute to the well-being of the shipyards and allow them to be in that strategic position.

MR. GERIN-LAJOIE: One of you gentlemen mentioned, and I think I quote correctly, that you were making a plea for survival. Do you have any reason to believe that it is really a question of survival or not? Is your situation any worse than it was between the two Wars, when you have managed to survive?

MR. HUSBAND: We certainly managed to survive and we will survive and will continue to operate, but we see at the present time an end to the amount of naval work which has been announced, and without the naval ship building we will not continue to survive as fully integrated shipyards; with the ability to do ship building and ship repairing we will survive on some basis with a reduced crew

but we will not be in a position of being able to be flexible and re-organize to take care of an emergency.

MR. GERIN-LAJOIE: Now, Mr. Wallace mentioned the desirable continuity in this type of industry. Do you believe, gentlemen, that it is possible in the ship building and ship repairing industry to have a real continuity of work, or how would you define that continuity if it is not the maintenance of a fairly steady number of employees in the industry? Is this what you have in mind, and how is it possible in your view to have such continuity in this type of industry, because of course ship owners do not need new ships every year, and perhaps they do not need repairs every year.

MR. WALLACE: Oh, yes, they do need repairs every year, and it is not every year they need a new ship, but taking it over all in our coastwise fleet if we had this restriction, ships would come along and there would be some continuity to our business, which there never has been. We have always had depths, we have been up at the top and then down again. It is not a healthy condition in which to attract men, when you can give them no security for the future. If we had our coastwise trade restricted there would be ships to be replaced gradually right along. We do not expect our yards to be immediately filled up with new ships, but they would come along over the years, and we could expect a reasonable continuity to

our business, in a small way.

MR. GERIN-LAJOIE: Do you mean that there should be hardly any of the fluctuations in the number of employees from month to month that there are now?

MR. WALLACE: No, I do not think we can say that. In the ship building industry, and ship repairing particularly in any part of the world the number of men fluctuates to some extent -- to quite an extent.

MR. GERIN-LAJOIE: Do you have an idea of what would be in your view normal fluctuations? Let us say if you were to have at one moment 2,000 employees, what would be in your view the normal fluctuation in that number?

MR. WALLACE: I would hate to make a guess.

MR. GERIN-LAJOIE: In this respect perhaps we may pass to the defence argument, and I am referring, in regard to labour, to your Appendix F at page 23 of your brief. Is it your view that the fluctuations in the number of employees, column 2, from 1946, 3,488, to 1954, 2,514, and the figures in between, are abnormal and should not be repeated in your view, or would it not be fair to consider these fluctuations as normal for an industry such as yours?

MR. HUSBAND: That is a difficult question to answer. There was a period in 1949 and 1950 there where the numbers went down. The basic thing to remember, and the thing that is important

is there must be a basic number of men below which the fluctuation cannot go if you are going to retain your technical staff and are going to be able to support the overhead that is necessary for your technical staff, your drawing office staff and engineering staff. In those two years, I would not like to say, but it looks to me as if it got below the danger point considerably, and that was what caused the necessity for some relief to the yards if they were going to carry on. The Navy's programme was started in that period to enable us to exist as shipyards. If it had not been for the Navy programme starting at that time, the shipyards would have disappeared as we know them to-day.

MR. GERIN-LAJOIE: Now you probably remember the figure mentioned by the Canadian Maritime Commission as being the minimum required as a nucleus in peace-time in order to be able to build up the ship building industry in time of war. That figure was 7,000 employees. Do you have any comment to make on that figure? Would you consider that as a fair figure at this time?

MR. HUSBAND: I think that a nucleus figure such as that is a very difficult thing to answer. It depends entirely on what you are going to be required to do, what naval vessels you are going to be required to build, what merchant vessels you are going to be required to build, and how long you have to build them. But if you are

asking us individually as a yard how many men we consider would be the minimum that you could have so that you would be in a position, with a minimum technical and engineering staff, to proceed to expand reasonably rapidly to cope with minimum requirements in the field of the Merchant Marine and Navy vessels, and if the time was reasonable, then you get into imponderables. We could probably say for each yard how many we consider as a nucleus.

MR. GERIN-LAJOIE: Well, you are in the ship building industry, and you know what employees specialized in the different fields in the building of a ship you need. Have not you any opinion or do you just leave it open, because of course in your brief, most of what you say in your brief, if I am not wrong, is based on the defence argument, and you maintain that you should have help in the way you suggest. I wonder if this whole argument is based on the fact that there should be a certain number of employees in the ship building industry. This point is very important for this Commission. The Canadian Maritime Commission mentioned a minimum figure of 7,000, and the last available figure was over 20,000 employees in the ship building industry in Canada. Is it not your view that this figure of over 20,000 employees is more than sufficient as a nucleus?

THE CHAIRMAN: 17,800, was it not?

MR. WICKWIRE: That is right, 17,800.

MR. WALLACE: In June it was 12,253 employed in the Canadian shipyards, according to the Maritime Commission.

THE CHAIRMAN: The shipbuilders gave us 17,800 as being the employment at the time of which they were speaking.

MR. GERITY: It says in Table 1 of the main Canadian Ship Building and Ship Repairing Association brief No. 82 that in the month of April, 1955, the average monthly employment in Canada was 12,837, and the last time there were 17,000 men in the yards was 1952.

MR. GERIN-LAJOIE: Now, gentlemen, do you have any view on this question of the number of employees required as a nucleus, or do you say that you do not have any view on this question?

MR. WALLACE: We cannot. We could not give a view for all of the shipyards over Canada. We might speak for our own shipyards. Certainly I feel that the figure of 7,000 is too low.

MR. GERIN-LAJOIE: Regarding the British Columbia shipyards you represent, would you mention any minimum figure?

MR. WALLACE: Yes.

MR. GERITY: For each yard I think we could provide some estimate, provided of course that the men have something to work at. They cannot sit down doing nothing.

MR. GERIN-LAJOIE: Now, regarding the cost to Canadian shippers which would follow from the

restriction of the coasting trade to Canadian built and Canadian registered vessels, is it your view that such costs are not to be taken into consideration by the Commission, or that other arguments overweigh this bad sore spot, if I may use that expression, of the proposal you put before the Commission?

MR. HUSBAND: I do not understand the question, Mr. Lajoie.

MR. GERIN-LAJOIE: Well, the restriction of the coasting trade in British Columbia to Canadian built and Canadian registered vessels will raise the cost of buying ships for shipowners. Am I right in saying that?

MR. HUSBAND: It will raise the cost of buying -- the ships that they buy will cost less than a ship for the purpose that they would build, yes.

MR. GERITY: That does not sound right, I am sorry to say.

MR. HUSBAND: If they are buying the ship at a bargain in the United States, we will say ---

MR. GERIN-LAJOIE: Let us say a new ship in Britain.

MR. HUSBAND: If it is a ship built in Britain that they are buying for the purpose of using it here, they will buy it cheaper. If it was a ship that they were buying in the United States at a bargain price in order to bring it into this country, they would be buying it

cheaper than they could build a ship for the purpose in Canada.

MR. GERIN-LAJOIE: That cost would have to be passed on to some one by the shippers; is not that right?

MR. HUSBAND: That is why I did not answer your question before, because, of course, Mr. Lajoie, we do not necessarily admit that. There is a difference between buying a ship that is built for the job, and buying a ship that is not built for the purpose. If it is bought as a bargain, if it is bought in a market which is not going to recur -- if you are going down and buying a ship and the horse power of the ship or the characteristics of the ship do not suit the job that you are going to do with the ship, but you buy it even though it is old -- you may be able to buy it cheaper, but then if instead of doing that you order a ship from a shipyard to a definite specification to do the job that you require to have done, if it was bought new and it was going to be depreciated over a long period of time, if you are going to take advantage of the allowances under the Canadian Vessels Assistance Act or any of the other Acts that are available to you, then we do not necessarily say that it is going to increase the cost of operation per ton mile. In many cases it will, but in some cases it might not.

THE CHAIRMAN: Then it will have to be a great deal more efficient ship, will it not,

because in the last week we have seen an example where in respect of the identical ship they had quotes called in England and in Canada, and the English quote was between 50 and 55% of the Canadian one. Now you will have to build a very much more efficient ship in order to make up for that tremendous difference in the quote, will you not?

MR. HUSBAND: When you say ships, we should translate it into some proportion of the traffic that we do on this coast. A barge or a scow is a ship, but the differential might not be the same.

THE CHAIRMAN: No.

MR. HUSBAND: It might be built to a better specification. It might not be available in the United States or somewhere else at the time you wanted to buy it. When you have added up all the costs after a long period of years in the case of a barge or a scow, while you may be able to put it in at a lower capital cost originally, we do not necessarily admit that after you have added up everything, that in an expanding economy there is going to be any saving.

THE CHAIRMAN: I was not speaking of a barge or a scow. I was speaking of a self-propelled freighter of a very modern design. Quotes were called for in two different markets, and the United Kingdom quote was between 50 and 55% of the Canadian. Now there is the case of an efficient ship; it is a ship designed by the owner as being the one to do his job.

MR. HUSBAND: There is no question that it would cost less in that case, yes.

MR. BELANGER: Your remark applied mostly to imported used vessels, not to new vessels. I think we must make that distinction here.

MR. GERIN-LAJOIE: Gentlemen, do not you consider -- and I would like to have your view on this -- that this higher cost of buying ships for the shippers would in the end affect the competitive position of Canadian manufacturers on the world markets and also would raise the cost of manufactured goods for Canadians.

MR. HUSBAND: If you are talking about the ship that the Chairman is talking about, I would say the answer is yes. If you are talking about ships or vessels to handle the coasting trade of British Columbia, we say not necessarily so.

MR. GERIN-LAJOIE: If that were the case, would you still maintain your proposal that the coasting trade of Canada be restricted to Canadian built ships?

MR. HUSBAND: Yes, we would.

MR. GERIN-LAJOIE: Do not you think there might be some other way of reconciling your needs -- I mean the shipyard's needs -- and the defence needs, of course, which go with them to a certain extent, with the needs of the Canadian people at large and the needs of Canadian manufacturers? Let us say that one other solution might be a subsidy programme, or do you reject such a

proposal, and for what reasons would you do so?

MR. HUSBAND: We have not considered subsidy. We have not considered it from the standpoint of the individual yards or the western members of the National Association. What we are asking for here is the reservation of the coastal trade.

MR. GERIN-LAJOIE: Do you believe that the reservation of the coasting trade to Canadian built ships would be enough to have the British Columbia shipyards as you wish, or would there not be in that event again the competition of Eastern Canadian shipyards?

MR. HUSBAND: Yes, there would be competition from Eastern Canadian shipyards, there is no doubt. We refer to it in our brief. We have never said that the reservation of the coasting trade is the complete answer so far as the shipyards are concerned. If they are to be maintained in a position to allow them to meet an emergency if it arises, we need naval work, and we need the other special purpose vessels which are built for other departments of Government; we need our own repairs and we need what commercial work we can get, and we are making a big endeavour to get it, but we need the reservation of the coasting trade as well. There is no question that we will be subject to competition with eastern yards because of their lower rates, but if we have all of those things which I have mentioned in a healthy position, then it is up to us to get our assembly line costs down and

to get our general operation costs down, so that with the assistance of the other work we are able to be competitive on every job on which we can possibly be competitive, having regard to the volume of work, with others in our area.

MR. GERIN-LAJOIE: Am I right in my understanding that wages and general costs in British Columbia are to a certain extent higher than in other parts of Canada?

MR. HUSBAND: Is that the answer you wish (document handed)?

MR. GERITY: We will file that.

MR. HUSBAND: Are you referring to our industry or to all industries?

MR. GERIN-LAJOIE: To your industry.

MR. HUSBAND: In our industry it is higher, and the reason it is higher is because our wage rates are higher, the standard of living in British Columbia is higher, we are removed from the sources of supply, we have to pay freight rates on all the materials and the components we use, and therefore there is no question that our costs of building a ship are higher in this area per unit, but as to production, that is a different matter.

MR. GERIN-LAJOIE: Mr. Chairman, Mr. Husband has just handed to me two tables attached together which perhaps might be filed as Exhibit 49.

MR. GERITY: It might be convenient if we were to file one more table at the same time. I do not want to interrupt my friend, but that shows the

difference in the wage rates in the construction and basic industries in British Columbia.

MR. GERIN-LAJOIE: Perhaps it would be more convenient if we marked the first two tables as Exhibit 49 and the second one as Exhibit 50. Therefore Exhibit 49 will be the table of range of rates in the shipyards as shown for 1955, and Exhibit 50 will be the wage rates in construction and basic industries of British Columbia.

---EXHIBIT NO. 49: Table of range of rates in the shipyards as shown for 1955.

---EXHIBIT NO. 50: Wage rates in construction and basic industries of British Columbia.

MR. GERIN-LAJOIE: Now, Mr. Wallace or Mr. Husband, you mentioned I think in your statement the question of the objection of a possible monopoly which might follow the implementation of your recommendation to this Commission. May I refer you to brief No. 54 submitted by the Island Tug and Barge Company Limited, where it is said at page 3:

> "The exclusion of British ships, or British "built ships, from the B.C. coastal trade "would give certain shipyards on the B.C. "coast a virtual monopoly."

Would you have any further comments to make on such a statement, as to how you feel that there would not be any virtual monopoly?

MR. WALLACE: There is a very healthy competition in the shipyards on this coast.

MR. HUSBAND: Hear, hear!

MR. GERIN-LAJOIE: Therefore, do I take it that you do not have any further comments to make on this point?

THE CHAIRMAN: No matter how vigorous competition is, if there are just two people competing, while competition may be vigorous it is liable to be within a very small range. I think that is the point that the tug operators were making. But you have in addition another competition, of course: ships are meant to be mobile things, and there is no reason why one from Lauzon or one from Sorel cannot be brought to Victoria Harbour.

MR. HUSBAND: Certainly, and if we are not competitive on small craft, small shipyards can build them. If we are not competitive on the tugs and barges then small steel plants can build those. If we are not competitive on the big ones, then we are not going to get them anyway; the eastern coast is going to get them. There is no question of monopoly in the shipbuilding business. There is no monopoly right in the area and there is certainly no monopoly in the whole business.

MR. GERIN-LAJOIE: Of course, the brief I read from said "a virtual monopoly", so I wondered if you had any comment to make on that.

MR. HUSBAND: Mr. Lajoie, we have been talking this matter over since you asked the question; we have given a lot of thought to it, and when you ask us a question as to the nucleus, then we think that we, as individual operators, should

be in a position to answer your question. We are shipbuilders and we are ship repairers, and we can assess what the future is going to bring as well as anybody. Nobody knows, but certainly if we do not know, nobody does. It is one of those imponderables. You ask us to consider what we think we would require as a minimal operating nucleus staff, and we consider that as individual shipyards we should be able to tell you that. We are prepared to tell you as individual shipyards what we consider is the minimal nucleus staff of hourly paid men that we should have in our yards if we are going to maintain ourselves in a reasonable minimal position to meet an emergency if it comes. At the present time, with the information at our disposal, so far as the Victoria Machinery Depot is concerned, that figure is about 600 men on hourly wage rates. Those are hourly paid men, and that is approximately our present complement of hourly paid men. That is the number of hourly paid men or the nucleus of hourly paid men that is required to support the supervisory, administrative, technical, engineering and drawing office staffs and the technicians in each trade who are necessary for us to remain in business with the ability to operate in time of emergency, and I think Mr. Wallace is prepared to answer that question as well.

MR. WALLACE: We have discussed this matter, as Mr. Husband has said, quite thoroughly before the Commission came here, knowing that we would

probably be asked this question. While we have 780 men at Yarrows to-day, we too agree that a figure of 600 would keep us going so that we could keep our technical staffs together. It would be the minimum amount that we would need to keep technicians and skilled men together properly so that we could expand in the event of an emergency. We have arrived at that figure, and it is the figure that I think we should operate upon -- the minimum figure.

MR. GERIN-LAJOIE: Then may I ask Mr. Wallace if your employment has been under this figure of 600 in the past few years for any length of time?

MR. WALLACE: Oh, yes, it has been well below that. Since 1951 it has ranged from 530 to 677 in 1952, in 1953 553, in 1954 550, and, as I say, we are up over 700 now -- 780.

MR. GERIN-LAJOIE: So that it has been at times just under 600 -- between 500 and 600; is that right?

MR. WALLACE: In 1950 it went down to 199. That is the wages payable.

MR. GERIN-LAJOIE: Now, gentlemen, I would not like to appear harsh in any way -- you will understand the spirit in which I put this question -- but if the variety of specialized men required in a single shipyard is greater than it was, let us say, before the war, and if consequently the number of employees being kept as a minimum in a single shipyard is to attain a certain figure, let us say 600, which might -- I say "might"

because I do not know -- be considered as fairly high, is it not possible that the number of shipyards in Canada is too large, as a minimum required for a nucleus? Do you feel that the number of shipyards we have at present is a necessary minimum for defence purposes, as a nucleus?

MR. HUSBAND: We cannot answer for Canada,of course, but we certainly can answer for British Columbia, and we say that with the disappearance of the yards which we have detailed in the brief -- as you are aware from the brief certain yards have gone out of existence and been dismantled, the Burrard yard have dismantled the North Pacific yard, which was alongside them, the Prince Rupert dry dock has been sold and that has been dismantled, and there are other yards in Vancouver which were doing work in the last war ---

MR. GERIN-LAJOIE: I quite understand that, but for what reason would you put the limit at a certain figure of, say, three inBritish Columbia? Might there not be four or two?

MR. HUSBAND: I told you that I think you have got to the minimum that you should get to. I think you have got a situation here where you have a yard in the Vancouver area and you have the naval station here in Esquimalt, and you have the Government dry dock in Equimalt; you have a situation which promotes competition between the yards and guarantees a healthy situation so far as the work that comes into the yards is concerned. I would

say that it is minimal as it is now with three shipyards in the British Columbia area.

MR. GERIN-LAJOIE: I quite understand the difficulty of answering the question, but I thought it might serve some purpose to put it anyway.

THE CHAIRMAN: I think you will find that the 7,000 estimate that was made originally was not made by adding the minima of all the shipyards in existence. The Commission did some arbitrary figuring, that yard No. 47 was necessary but yard No. 48 was not, otherwise they could not possibly have got the figure as low as 7,000. You have got in one city, albeit from the point of view of naval affairs and foreign trade a very important one, these two gentlemen giving estimates amounting to over one-sixth of that figure, and then you could add, I suppose, another 1,000 for Burrards in Vancouver, and you have got 2,200 out of 7,000 in that area, without considering all the many yards down the St. Lawrence, or the Great Lake yards, or the Halifax ones, which are the largest.

MR. GERIN-LAJOIE: Gentlemen, I believe you took the position in your statements at the beginning of this afternoon, that for the purposes of national unity you were opposed to having different rules for different parts of Canada. Have you considered the effects, or possible effects, of your recommendations, if they were implemented, let us say, on Newfoundland or other parts of Canada? Having that in mind -- this is a second question, of

course, but it is to give you fully what I have in mind -- would you really be opposed to having a different set of rules, let us say for instance, for Newfoundland?

MR. WALLACE: Yes, we think it should be for all of Canada, that no part of Canada should be favoured in regard to this regulation, but that it should apply right across in the interests of national unity.

THE CHAIRMAN: Well, Mr. Wallace, we have had evidence from Newfoundland, and it has not yet been denied, that the presence of British operated shipping does have a very marked effect in keeping the rates down between Newfoundland and Canada. We have had evidence, not from one but probably from a dozen, that their industries are so closely marshalled that any increase in their freight costs will put them out of business. Now, does your desire for unity or uniform treatment carry you so far as to say that even at that British ships should be barred from the Newfoundland-Canada coasting trade, between Newfoundland and the mainland of Canada?

MR. WALLACE: That was our idea. I do not know too much about Newfoundland, but that is what I had in mind.

THE CHAIRMAN: That is what we have heard and it has not yet been denied, and it was put to us very strongly. That is the situation with which we have to deal.

MR. GERIN-LAJOIE: Is it not possible in your view that national unity might require different treatment in different places on account of geographical differences? Let us take Newfoundland for instance -- it is only an instance, of course -- which, being an island separated from the mainland by many miles of water, and also having in mind the historical position of Newfoundland, might require different treatment, or do I take it that you have not given any special consideration to this problem?

MR. WALLACE: Well, we considered it from the point of view of national unity, and we think that one law should cover the whole thing. As I say, we do not know too much about the trade in Newfoundland, but I do not think that the small amount of extra freights that they would have to pay would make too much difference there. They have received, I understand, great advantages through joining Canada. There might be a little disadvantage to them, but it would not be too great.

MR. GERIN-LAJOIE: Well, of course, it seemed to be a little more complicated than that. Certain companies like Furness, Withy, supply a service of a special nature. However, I do not think we have to go into this problem now. The last point I would like to bring out is this. I think you had a word to say about this, but I would like you to clarify your position. It is in regard to the subsidy problem. Do I understand that you have not considered the possibility of a subsidy

programme, or that you have considered it and are opposed to it as an alternative solution to the submission you have put before this Commission?

MR. HUSBAND: The question of subsidy is one that has not been discussed by the Shipbuilding Association as a whole, and sufficient study has not been given to it by us to express an opinion on it. We have not had the amount of departmental assistance which is available to this Commission in connection with it, and we are not in a position to express an opinion on it. All we are asking before this Commission is the reservation of the coasting trade.

MR. GERIN-LAJOIE: You will quite understand that I am not proposing any subsidy programme at all; I am just trying to investigate the problem. A suggestion such as this has been put before the Commission and I wondered if you had any opinion about it.

That is all that I have to ask, Mr. Chairman.

THE CHAIRMAN: Are there any other counsel who wish to ask questions?

MR. GERITY: My lord, I would like to clarify one point if I may, and that is the reference which my friend made to brief No. 54 of the Island Tug and Barge Company, and the inevitability of a rise in the freight rates. I would like to suggest to the Commission respectfully that there are many considerations, such as tax relief and otherwise, which might produce the same capital

cost, and there is no real necessity for an inevitable rise.

THE CHAIRMAN: Well, that is a matter of argument for which there will be an opportunity at Ottawa.

MR. GERITY: I would simply like to bring it forward at this time, because I do not think that in the final analysis in Ottawa perhaps everybody will take the same position as they have done from the time when these hearings opened.

THE CHAIRMAN: I should hope so.

MR. WRIGHT: There was just one small matter, Mr. Chairman, that I would like to correct in regard to Exhibit No. 48. I think Mr. Husband will probably agree that to Exhibit 48 the Yukon Princess should be added.

MR. HUSBAND: Yes. I am sorry that is not in there.

MR. WRIGHT: And to complete the record, her tonnage would be -- what? About 750?

MR. McLEOD: Is this the gross tonnage?

MR. WRIGHT: Yes, the gross tonnage. Would she be the same as the Cassiar and the Chilkoot?

MR. HUSBAND: Yes, I would think so.

MR. WRIGHT: The Cassiar is 752.

MR. HUSBAND: Yes.

MR. WRIGHT: And she was built in 1946, Mr. Wallace?

MR. WALLACE: Yes.

MR. WRIGHT: And she was built where, at

Burrards?

MR. WALLACE: At Burrards, I think so, yes.

MR. WRIGHT: In Canada?

MR. WALLACE: Yes. I am sorry that we missed that.

MR. HUSBAND: I am sorry, too, that we missed that.

THE CHAIRMAN: Then that would make it fourteen.

MR. HUSBAND: Yes. That gets away from that figure of thirteen.

THE CHAIRMAN: Well, thank you very much, gentlemen. Then we will adjourn until 10.00 o'clock to-morrow morning.

---Whereupon the Commission adjourned at 5.50 p.m. until 10.00 a.m., Tuesday, August 30, 1955.

TUESDAY, AUGUST 30, 1955

---On resuming at 10.03 a.m.

THE CHAIRMAN: Yes, Mr. Mundell?

MR. MUNDELL: Mr. Chairman, the next party to be represented before you is the Island Tug & Barge Limited, represented by Mr. Prentice and Mr. Elworthy.

MR. PRENTICE: My lord and Mr. Commissioners, I represent Island Tug & Barge Limited and its wholly-owned subsidiary, Young & Gore Tugboats Limited.

We are one, or if you wish, two companies of the fifty or more companies in B.C.

Over the last nine years we have experienced a considerable expansion and in our field have more than kept up with the economic growth of this Province.

It has been our endeavour to offer an efficient, reliable and satisfactory service to industry in B.C.

Our services are the carrying of bulk cargoes to any desired destination. A large part of our services is utilized by the lumber industry of the Province through our towing of logs on barges, Davis and other type rafts, together with wood chips. Other types of cargoes carried by our scows and barges are sand, gravel, logging equipment and any other bulk cargo offered. As an illustration we recently made two trips with

our Barge Island Logger to Portland, there picking up the pots to form the new pot lines at Kitimat. Several years ago we towed six tugs of approximately 450 H.P., each loaded on one of our barges from Seattle via B.C. to Buenos Aires, the Republic of Argentine.

Our activities also include marine salvage, for which type of work we have complete equipment. The growth of our organization to offer these services has only been possible because of our ability to purchase foreign built vessels to add to the ships already owned by ourselves previous to the acquisition of these foreign built vessels. For all purchase and the importation of foreign built vessels it is necessary that such vessels pass our rigid Canadian Steamship Inspection requirements before being put into service. The foreign tugs we purchased were U.S. Government war surplus, and are modern and efficient vessels, and as modern as could be built at the present time.

All such conversion costs have provided work for our local shipyards. The repairing and maintenance of all our vessels, including the foreign built ones, also provide a good deal of work each year for our local shipbuilding yards. Our most recent purchase of foreign vessels has been that of four Maracaibo Lake tankers of approximately 1900 tons each, and three somewhat larger vessels of the same type of approximately 2300 tons each. Using our own tugs we towed the four tankers from

Maracaibo to Victoria in one trip, and then at a later period towed the three tankers to Victoria in one trip. Our Marine Superintendent developed a towing method so that at each instance all the tankers were attached to one main towing cable, the tugs attaching their towlines to this cable.

To date we have converted two of the four smaller tankers to self-dumping log barges. The conversion costs paid to local shipyards being only a little less than the cost of the vessel brought to Victoria. So far we have converted one of the larger tankers to a self-dumping log barge and in this instance the cost of conversion slightly exceeded the cost of the vessel brought to Victoria.

All these tankers are British built and British registered. We have obtained Canadian Registry on all four of the smaller tankers, while the three larger vessels are still British registered. In view of the present situation, and as it appears to be developing in regard to British registered vessels, we are naturally most concerned that these three larger tankers be permitted to Canadian Registry at as early a date as possible.

These self-dumping log barges will assist the lumber industry of this Province by opening up large areas on the West Coast which were heretofore inaccessible. The carrying of the logs on these barges also will speed delivery from forest to mill, and in addition eliminate a great deal of log loss through torredo damage.

In connection with the reconversion of these three vessels, I might say that at first when we had registered four in Canadian Registry and then found that we could not immediately obtain Canadian registration of the three larger ones, we were going to hold up the conversion of these three ships. Of course, naturally, we felt somewhat worried as to how this matter of British ships -- British registered ships -- would affect their use in the Canadian coasting trade. At that time the shipyards here felt that the carrying on of the conversion of this vessel that we had in their yards was rather necessary for them to maintain their full employment, and in view of this and so that there would be no laying off of men in a local shipyard, we continued the conversion even though we had not obtained Canadian registration. We are also now going forward with the second of those larger tankers believing that while we have not obtained Canadian registration we will be allowed to use them, naturally, in the coastal trade here in British Columbia, and we also wished to see that the shipyards had the work that would assist them in maintaining their full employment, although it is possible that this second one is not quite as necessary as they felt it to be in regard to the first one. We received a letter from the shipyard which was doing the conversion stating that our carrying out of this work permitted them to maintain over that period full

employment, which was very much required in this city. We have a letter to that effect, if you wish it to be presented.

They are the main points that I would like to bring out in addition to the brief we have already presented.

MR. MUNDELL: I would like to ask one or two questions, if I may; they are just to clarify the submissions made, and some are as to questions of fact. I do not know which one of the ---

MR. PRENTICE: Either one of us will answer your questions.

MR. MUNDELL: Very well. In the first place, Island Tug & Barge is an incorporated company, and it was incorporated where?

MR. PRENTICE: Province of British Columbia.

MR. MUNDELL: It is a Provincial company?

MR. PRENTICE: Yes, a Provincial company.

MR. MUNDELL: Is it Canadian owned?

MR. PRENTICE: Canadian owned, principally. The common stock is practically three-quarters Canadian owned; the preferred stock is probably around 98% Canadian owned.

MR. MUNDELL: Then, I wonder if it would be possible to ask you to do this for the benefit of the Commission: Can you outline in as much detail as you can just what the company does? Have you scheduled runs?

MR. PRENTICE: We have only one run that might be termed a scheduled run, which is the

carrying of chips -- wood chips -- from chipping plants around the Vancouver area, the New Westminster area, the North Frazer River area, and also from around the Chemainus area, to the United States, principally to Port Townsend. Those runs we do under a contract, and the other runs are more or less not scheduled. Whenever there is a log raft which the people who use our service need to be towed they advise us and we go out and tow it. The large jobs, like the one of the pots to Kitimat, which I have spoken of, are the ones for which we go after a contract, and if we are fortunate enough to secure a contract over any one else we make the run and the job is completed. There are no scheduled runs as you would call them except those chips runs, and they comprise approximately 15% of our total business.

MR. MUNDELL: Would those barges be yours?

MR. PRENTICE: Our barges are used in all the work. We have our own tugs, our own scows, and our own barges. Once in a while if there is an excess of, say, log chips offered, and we have had some accident or one of our scows is not in commission for that -- it is a special type of scow -- we may hire one, but it is a very infrequent occasion when we hire other equipment. We may have to hire another company's tug once in a while.

MR. MUNDELL: What I was trying to get at is the nature of this so-called scheduled run for which you have a contract with the American ---

MR. PRENTICE: It is Canadian.

MR. MUNDELL: --- from certain specified points for which you furnish the barges.

MR. PRENTICE: Yes. We term them "scows". The difference between a scow and a barge is that a scow is the smaller vessel of the two, and a barge is a much larger vessel.

MR. MUNDELL: You supply the barge, and they are filled ---

MR. PRENTICE: Yes, and, according to the contract, we may have to put other equipment there to take the chips as they are produced by the chipping plant.

MR. MUNDELL: Leaving that and going to the non-scheduled runs, I think it would be helpful to the Commission to know how you get these other contracts. Are there calls for tenders?

MR. PRENTICE: In most cases we service certain companies who have given us their business because of the rates we give them. They are not signed contracts in this business at all, but we are given the business because we have been doing it for them and handling it satisfactorily, and they like the way we are doing it.

MR. MUNDELL: How does the work come to you? Are there just phone calls?

MR. PRENTICE: We are serving certain large accounts. They advise us by phone, often, what we are to do, and they know we will look after them. If they need a certain amount of lumber

moved, they phone up and we tell them what we can do and when we can handle it for them.

MR. MUNDELL: What points will be covered by those other movements?

MR. PRENTICE: Well, up and down the coast, and the Island -- wherever there are logs to be moved. The other one which I did not mention and which might be a nearly scheduled one is the handling of sand and gravel for different companies. We do their work and they just tell us when the load needs to be delivered, and we put a scow at their disposal, they fill it, and we pick it up, and take it to wherever they tell us to take it.

MR. MUNDELL: In a sense, there is not a market. You have certain customers whom you have served, and they come back to you?

MR. PRENTICE: There is a market. If we did not give them the service or the price we would not get the business, because there are 50 other tug boat companies in British Columbia and we are all trying to make a living.

MR. MUNDELL: That is when there is a cargo, and you put in bids, but it is mainly a matter of personal client basis.

MR. PRENTICE: Yes, although you may run into some trouble there. For example, there was that Kitimat job. You may go after that business, and you may send all your executives to tackle the company, but we have done work for them before but in the first instance we had to go and show them

that we could handle their business. Actually, that was a heavy job.

MR. MUNDELL: How many tugs and scows do you have?

MR. PRENTICE: We have 26 tugs; some of them are harbour tugs. Then, of the scows I think there are about forty, roughly; I would have to count them up because they are coming in and out, and we have six new steel ones built in the shipyards here. We have now four barges in operation. There are ---

MR. MUNDELL: Four what?

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MR. PRENTICE: Four barges. Three of them are these new self-dumping log barges. There is another very large barge, the "Island Logger". Then, there are these other four that still await conversion. In addition to that, we have a power derrick, and we have other ancillary equipment that is needed in the business. Four of the tugs, you could say, are always available for salvage work, particularly the large salvage vessel, the "Sudbury", which is a converted corvette.

MR. MUNDELL: Can you inform the Commission where you acquired all of these vessels? Put it this way, how many are Canadian-built and how many are non-Canadian-built?

MR. PRENTICE: Let us see; the non-Canadian-built ones that we bought are the "Navigator", the "Champion", the "Challenger", the "Ranger", and the "Sovereign". In our subsidiary the non-Canadian-built ones are the "Lloyd B. Gore" and the "Anna Gore". They are American war service vessels, but do not apply that to the "Sovereign", which is in a particular class by itself. This vessel was an American Government vessel and she became wrecked on the coast here and we, with another syndicate, salvaged her because the American Government abandoned her to the underwriters. We salvaged her, and fixed her up ourselves in the local shipyards and put her into service. She is 1200 horsepower; she might be a little bit more than that if you use the superchargers.

MR. MUNDELL: These are just tugs you are talking about?

MR. PRENTICE: Yes, just tugs.

MR. MUNDELL: What about scows and barges?

MR. PRENTICE: Of the scows there are, roughly, twelve to fourteen wooden scows -- I would not be sure of the numbers until I can check that -- that were bought as war surplus scows from the United States.

MR. MUNDELL: How would the cost of those purchases compare with the cost of constructing a new one in a Canadian yard?

MR. PRENTICE: If you are talking of the tugs I would say, roughly, that possibly we could get them started in here after all conversions and everything else -- I would say, roughly, fifty percent -- fifty percent of what you could build them here for.

MR. MUNDELL: That is the cost of the tug and everything?

MR. PRENTICE: Yes, everything, starting right at the beginning.

MR. MUNDELL: What about scows and barges?

MR. PRENTICE: With regard to the scows it is hard to say. This was about nine years ago and they were wooden scows. We would figure, roughly, about fifty percent.

MR. MUNDELL: I think you said in your earlier statement that it had only been possible for the company to expand its business this way by purchasing more foreign-built vessels. Was that a matter of cost or a matter of availability?

MR. PRENTICE: It would be, to a great extent, cost, and to a certain extent availability. They became available at that time and we purchased them, but the cost would have a good deal to do with it, as you can see.

MR. MUNDELL: Just before we leave your fleet, are all of the men employed on your scows, barges and tugs Canadian seamen, or Canadians?

MR. PRENTICE: All Canadian. We have no foreign ones. One might drop in once in a while, but they are all Canadian seamen.

MR. MUNDELL: What about the wages you pay?

MR. PRENTICE: The wages we pay are a little higher than the union rates that are used by all the other tugboat companies in British Columbia.

MR. MUNDELL: What is the number of crew on a typical tug?

MR. PRENTICE: You cannot take a tug -- they run to different horsepowers, and the big ones up to 1400 horsepower and 1200 horsepower. They would have a crew of ten to twelve. The other smaller ones would run about seven. You range anywhere from the harbour tugs which would have two or three ---

MR. MUNDELL: With regard to the operation of the scows and barges, how many do you have on them in the way of crew?

MR. PRENTICE: There are no crews on those vessels. They are just dumb vessels being towed.

MR. MUNDELL: Can you explain to the

Commission why it is that the coasting trade has developed in this use of barges and scows on the West Coast of British Columbia, because it is rather different from, say, the East Coast.

MR. PRENTICE: That would be rather difficult for me to say because I do not know about the East Coast. The West Coast here is so rugged, and in the lumbering industry the barge has to be left for a number of days to be loaded. If you tried to have a vessel with a crew on all the time while it was being loaded and held up it would increase your costs so much that the logging industry would feel they could not pay that rate to have their logs towed. You have to work your tugs in so that you have the barge laying up at a certain place and your tug able to go to some other place, and your despatchers will try to work the whole thing out so that they have the most efficient use of their tugs and equipment. The tugs pick up the different equipment from wherever it lies with the least possible waste of time.

MR. MUNDELL: Can these scows and barges operate in the open sea?

MR. PRENTICE: Oh, yes -- well, now, we are speaking of two different things. The scows -- the ones that go across from Victoria to Port Townsend -- cross what you might term open sea. These large barges that we are operating go right up the West Coast, which is open sea all right, and which is very rough at time.

MR. MUNDELL: The reason I ask that is

that is has been suggested to the Commission that the development of scows and barges on the West Coast has been largely due to navigational advantages such as the inside passage.

MR. PRENTICE: Now we are talking of two different things. The inside passage you would not call the open sea. That would be inside the island as you come in coming up towards Vancouver. It is there that you have your inside passage. On the West Coast you have no inside passage; you are in the open sea.

MR. MUNDELL: You do not place any reliance on that as a consideration?

MR. PRENTICE: It might be. You could have this inside passage for scow hauling, but we are talking about hauling lumber, and it certainly would not pay to have a freighter type of ship coming along to load logs where you have a million feet of logs. I do not believe a freighter type of vessel would be able to carry a cargo like that -- that is, as far as I know.

MR. MUNDELL: Do these cargoes include pulp wood logs?

MR. PRENTICE: There are logs that can be made into pulp wood, but most of them are saw logs which are made into lumber.

MR. MUNDELL: They do carry a great deal of pulp wood on the East Coast by ship, and what I was really trying to get at is why there were so many scows and barges here.

MR. PRENTICE: I would say it is because, when you come down to it basically, we can with scows and tugs move logs, and the products that are derived from logs, at a great deal cheaper rate than you could possibly do it with a cargo vessel where you have to pay your crew all the time while she is waiting to be loaded. That is my opinion. I have not any facts to back it up at all, but that would be the idea of it.

MR. MUNDELL: Can one expect that the same development would occur elsewhere?

MR. PRENTICE: You are asking me about elsewhere, and I do not know.

THE CHAIRMAN: It has occurred elsewhere. A great deal of the pulp wood now loaded at the head of the Lakes goes out in tremendous barges under tow of tugs. They have barges which have a large crane in the centre. They are just open hulks. As a matter of fact, some of them were tank carriers.

MR. PRENTICE: That is right. Our "Island Logger" was a tank carrier, L.S.T., converted.

THE CHAIRMAN: And the crane has a tremendous basket which is about fifteen feet square with sides four feet high, which simply dips down into Port Arthur Harbour as the logs are floated over -- short pulp wood logs -- and it lifts them up and puts them into the hull, and there is a crew of about twenty men piling them. They pile them right up to the hull, and about twenty feet above.

MR. PRENTICE: I think on the whole our

logs here are probably a good deal larger than the ones you are carrying there by that method. Some of these logs weigh 10 or 5 tons each; the logs weigh anywhere from 5 to 30 tons.

THE CHAIRMAN: These are cord wood sticks which are about 6 to 8 inches in diameter and about 4 feet long.

MR. PRENTICE: Our stuff is not like that. We are carrying logs which are really weighty pieces.

MR. MUNDELL: You mentioned that you had had certain scows and barges recently built in Canadian shipyards. How many of them were there?

MR. PRENTICE: Six.

MR. MUNDELL: How did their cost compare with the cost of the earlier acquisition?

THE CHAIRMAN: Those were scows?

MR. PRENTICE: Yes, these were scows. Actually, you could not make a fair comparison between them. The original ones were made of wood, and these are steel. Prices, of course, in the last nine years have gone up, but these would cost, if you wanted to take an actual cost basis -- I would not say it would be fair at all because these are a little bit larger than the ones we used, but they cost about three times as much. That is not a fair comparison because of the different equipment and everything like that.

MR. MUNDELL: In your brief you say that you feel capable of meeting all competition, and have no fear of British shipping interests. This

is in your brief, B.54 at page 3, and you go on to say:

"We are not now, or in the future, able "to foresee a situation where British shipping "can compete to our detriment on the West "Coast of Canada."

Is that having in mind the fact that you will be replacing equipment at Canadian cost, or does that include importation?

MR. PRENTICE: That includes our present use of equipment, and I would say the basis we can take for that is that a British ship coming over here, say, a British towing company, would soon have to hire Canadian men which would mean their wage structure would be very similar to our own. Their equipment, if they brought it over here, we feel would be no more efficient than ours, and their operation would be no more efficient. We have the basis of equipment bought at a price that is, over the years, quite -- I will not say "low" -- but which is very fair, and if we had to replace our whole fleet right now at present costs I do not see how we could be in business because we could not afford the interest and depreciation which it would cost us to handle a new whole fleet. I think you will find from the submission of the tugboat interests of British Columbia the same thing occurs. Their fleets have been built up over the years, and the same thing applies to other industries which have factories built up over the years. The cost on

the average is lower than what it would cost anyone to come in now and build a new factory and new equipment.

MR. MUNDELL: Supposing the coasting trade was restricted to Canadian-built and registered vessels from now on; supposing we fix a date and say that anything prior to that date is permissible. Would that hurt you?

MR. PRENTICE: I would say it would be the best way out of a bad situation.

MR. MUNDELL: Would that hurt you?

MR. PRENTICE: It depends on whether we could get our barges. We are only able to buy new equipment because of the financial resources we have built up through the use of this old equipment, and to say that you are not going to be able to import any vessel at all you come to the bigger point, do you not, of what your costs are going to be -- the costs of competition, or the lack of it, on the items that have to be built in the Canadian yards.

MR. MUNDELL: If you had that restriction of course you would not need to fear foreign competition at all, or British competition.

MR. PRENTICE: I do not think British competition -- as I say, we are not worried about competition from anyone in our business as long as we have a reasonable ability to buy equipment and to use it.

MR. MUNDELL: What I am really coming to is whether you say in your brief your position is

that you object to any restriction. The way you put it is that the economy will be benefited by a withdrawing to the greatest possible extent of all possible restrictions. What I want to know is: Is this with regard to your own interest, or is this a general position you are taking?

MR. PRENTICE: Both.

MR. MUNDELL: You feel your own interests will be served better by no restrictions?

MR. PRENTICE: Yes, we do, and, in general, that is a line of economic thought that you can take two angles from. You are going to have these restrictions, but to what extent are you going to have them? You can take any side of that you wish, and argue it, but from our own point of view we feel that we can operate successfully if there are not too many restrictions on our operation.

MR. MUNDELL: Would you contemplate buying barges and scows outside of Canada in the future?

MR. PRENTICE: That is a difficult question to answer. We do not know how the growth of our industry will develop, or how the logging industry will go in proportion to the amount of equipment we can offer. It is hard to look into the future to say what is going to happen in that regard.

MR. MUNDELL: I think we have to look into the future.

MR. PRENTICE: Well, I do not think our rate of growth in the future will be as large as it has been over the last nine or ten years. It may

be, but we do not foresee that. When we get this present equipment working, particularly these new self-dumping barges we have got, we feel they should carry us. In this program we have gone into now we have been trying to anticipate forward eight or ten years. And we have expectations from these new cheap scows, too. This program will carry forward five or six years, but it is difficult to say in an industry that has been expanding as quickly as the logging industry has in British Columbia. We are dependent, to a great extent, on the lumbering and logging industry of this Province.

MR. MUNDELL: Anything affecting their marketability will affect you?

MR. PRENTICE: Yes, it will. As a matter of fact, if we do not carry logs a great part of our business will cease to exist.

MR. MUNDELL: This leads up to what you say about the purchase of foreign equipment; this is at page 2 of your brief:

> "However, the ability to import British-
> "built and U.S.-built vessels does provide
> "some check on the cost price to the ship-
> "ping industry of Canadian-built vessels."

Is that to be interpreted as meaning that you object to any restriction that would prevent importations in the future simply because it is another restriction?

MR. PRENTICE: We would say, and I think anyone would say, that if you have no competition

you are liable to have higher prices, but if you have some competition such as the right to import you do put some type of norm there that local shipyards would have to try and meet.

MR. MUNDELL: Supposing the evidence given before this Commission by some of the shipyards, at least, that they would be unable to continue to operate is correct, that this would mean that those shipyards would go to the wall, would you still in that case advocate freedom of import?

MR. PRENTICE: First, I think the evidence was, as I heard it yesterday, not that they would go to the wall -- they would still be shipyards -- but whether they would be able to carry on the highly technical work required for war vessels was in doubt, but I would say that we are looking towards the shipbuilding industry -- I mean, you ask me whether I will take the national point or the local point which has to do with my own industry here, and that is rather difficult to say. I want to see Canada a strong country, naturally, the same as anyone else, but should you penalize a particular industry to make a country strong? That is a broader point that would affect us here. We want Canada to be strong, and we want to have shipyards here, and we want to give all the work we can to the shipyards, but we do not want to be penalized so that warships can be built and technical equipment can be built to support the technical advances of Canada as a whole.

MR. MUNDELL: I think I am confused by your answer.

MR. PRENTICE: Well, let us come down ---

MR. MUNDELL: You are advocating for the future a freedom of import as a ---

MR. PRENTICE: Yes, if you want to maintain shipyards are you going to talk about subsidies, or what? I cannot answer for what is going to be done there. I can only answer for our own industry, as to what will allow it to be successful.

MR. MUNDELL: What is your position on subsidies?

MR. PRENTICE: I do not think we have any position on subsidies at all. That is a broad point that I would not like to take up.

MR. MUNDELL: You said as far as you were concerned, both as a general matter and having regard to your particular industry, you do not advocate -- you oppose any restrictions on importation and on operation, and if that means that the shipyards are going to be under heavier competition then you do not take any position on that, and that that is a Government problem; is that it?

MR. PRENTICE: I think so, if the shipyards are going to have to do certain types of work. You have three yards in that question. For our own industry we feel there should be freedom to import vessels. As far as the shipyards are concerned, we want them to be in being and to get all the work they can do. If they need Government work in order

to maintain themselves then that is another problem that the Government will have to solve, and not ourselves.

MR. MUNDELL: On the contrary, the proposition put up is that protection must be afforded, and that is the appropriate method of giving the shipyards the assistance they require, and you are simply saying that you are opposed to that protection. Why are you opposed to that protection, apart from general principle?

MR. PRENTICE: Because it would increase our cost.

MR. MUNDELL: You still would not be in any competition except insofar as being amongst people on the same basis.

MR. PRENTICE: Yes, we are in a competitive industry. If our costs go too high we have other types of transportation that might compete with us. If we were, in the future, to pay a million dollars for a ship we can get now for half a million dollars you can naturally see it would be much more difficult for us to pay interest and to pay depreciation on that type of equipment, and other industries in the transportation field might move in.

MR. MUNDELL: Do you mean some other competitor in shipping or ---

MR. PRENTICE: Yes, not using the same equipment, and then there is rail transportation that we have to consider.

MR. MUNDELL: Is there much rail transpor-

tation that is in competition with you in what you carry?

MR. PRENTICE: A certain amount of logs come down by rail, and a certain amount are being moved by truck wherever it can be done.

MR. MUNDELL: You are opposed to any restrictions that would apply to you and all your competitors so that you would compete equally with your water competitors on that basis?

MR. PRENTICE: We want to compete equally with all water competitors.

MR. MUNDELL: You would be competing equally. It is only the alternative forms of transportation that you feel might hurt you?

MR. PRENTICE: If our costs go too high it would. We might have some alternative form of transportation taking our business, and it would be one of those spirals that go on and on all the time.

MR. MUNDELL: That is the reason why you are opposed to any form of restriction? Have you anything to add to that?

MR. PRENTICE: No, I think you have covered it pretty thoroughly.

MR. MUNDELL: There is one thing I should bring out, and that is if the costs of transportation go up the costs of all the products go up, and you might lose business there.

MR. PRENTICE: Yes, if our costs go up we might lose business.

MR. MUNDELL: If the main cost of preparing

the logs was the cost of putting the logs into the hold and taking them out the logs would not be carried by you or anyone else.

MR. PRENTICE: I would think this, that the lumbering industry in this Province is so great and it means so much to British Columbia that something has to be ---

MR. MUNDELL: Well, they could be rafted.

MR. PRENTICE: Well, they would still have to have a tug to pull them, and if your tug costs go up they have to be put onto the total. It is not only the cost of each individual piece of equipment; it is the total cost of moving the logs from the forest to the mill.

MR. MUNDELL: Then, at page 3 you say:

"The exclusion of British ships, or "British-built ships, from the B.C. coastal "trade would give certain shipyards on the "B.C. coast a virtual monopoly."

They would be competitive amongst themselves, would they not?

MR. PRENTICE: They would be competitive here. We have three shipyards, two under one ownership, and another one. They would be competitive amongst themselves.

MR. MUNDELL: And with Eastern Canada.

MR. PRENTICE: Yes, and with Eastern Canada, but with regard to Eastern Canada you have the tremendous cost of bringing a vessel from the shipyard down the Atlantic seaboard, through the

Panama Canal, and back up the West Coast.

MR. MUNDELL: That may not be a major factor if there is a major difference in price.

MR. PRENTICE: It depends on what you are spending. If you have to buy a tug that costs half a million dollars it might cost you, say, $800 a day to bring that tug around and that would run into quite an item, and on top of that you have your insurance and other costs. In regard to a big vessel like a 10,000 ton cargo ship it would be much less of a factor.

MR. MUNDELL: You think that the cost of transporting it from Eastern Canada out here would render Eastern competition ineffective?

MR. PRENTICE: On certain types of vessels, yes. On a smaller vessel it probably would. That is a thing you would have to go into more fully to be sure of.

MR. MUNDELL: So that you do not think that on the smaller stuff the Eastern yards would afford any effective competition, but on the larger stuff you think they might. Do you think there would be any effective competition?

MR. PRENTICE: Not on the very small type of vessel.

MR. MUNDELL: There might be more shipyards that would get into that, too, might there not?

MR. PRENTICE: Well, that is another thing I cannot answer. I do not know about the

shipyards.

MR. MUNDELL: There is a passage here that I am afraid I am not quite clear on. You say:

"Should British ships under such legis-
"lation be precluded from Canadian coastwise
"trade, it then might be reasonable to presume
"that Canada would lose the right to trade
"between British, or Commonwealth ports. In
"our opinion it would be a great loss to
"Canada that the long-standing relationship
"between ourselves and the United Kingdom and/
"or the Commonwealth be lost."

That is at page 3, the paragraph numbered 2. I am not quite sure what you contemplate might happen.

MR. PRENTICE: For instance, if we said that British or Commonwealth ships could not trade along our coast the other nations of the Commonwealth, and Britain, might take action of a similar nature to restrict Canadian ships. If you do something against another fellow he usually tries to do something to you to equalize the effect.

THE CHAIRMAN: Yes, but what Canadian ships ply along the coasts of Commonwealth countries?

MR. PRENTICE: Not very many, I suppose, but we want to built a Merchant Marine, do we not?

THE CHAIRMAN: Well, that is how it strikes me. It would be a pretty empty threat.

MR. MUNDELL: Then, there is the matter we touched on a while ago. Your next predicated

effect of restriction is in the paragraph numbered 3, and you say:

"Should British shipowners bring "their vessels into this trade, their costs "would, in a very short time, approach ours."

Why do you say that?

MR. PRENTICE: Because, first of all, they would be so far from their home base that they would soon have to pay their crews the same wages. We think you would not see an English seaman for long working along this coast, knowing what the regular union rates of wages, etc. were, working for half of that, and also he would not want to stay away from his family for such long periods of time. If they brought their vessels in here I would say they would very soon have to work under conditions which would be very similar to ours, and on that basis we do not mind competing with them, and I think that is what would happen if they moved in here.

THE CHAIRMAN: Have you had any experience of these British towing companies coming into the British Columbia Coast?

MR. PRENTICE: Not that I know of; I do not know that they have, actually.

THE CHAIRMAN: We have had opinions expressed such as you have expressed, and we have also had opinions expressed which are absolutely to the contrary. It has been said that ordinarily British seamen are used to being in any part of the world and working in any part of the world on

British wages. Two years is well nigh a standard term of the Articles, and they would have no difficulty at all, for instance, in coming into the Great Lakes and trading between Port Arthur and Hamilton.

MR. PRENTICE: I think we are dealing with a different type of equipment. That is speaking of a type of equipment where the men would spend their whole time on the ship, and that is a much larger ship than those used in the tugboat industry where a member of a crew would be working in a ship where he would want to be ashore more often. Also, he would be stationed away from home. Once you brought that tugboat over you would want to keep it here, and the seaman would know that that boat is pretty well situated on this coast. He would know that, and you would have difficulty in keeping your crew, but bringing a ship over from England with its home port in England and working it all over the world is a different matter.

THE CHAIRMAN: That is only partly true. One of the methods discussed -- and this is probably the only effective competition the United Kingdom could offer in the Great Lakes -- was to have a laker built in the United Kingdom, carried or protected over the ocean, and then put right into the Lake trade. In that case the seamen would not be going home every so often. That ship would be stuck on the Great Lakes in the same way as your tugboat is stuck on the West Coast. It is true that the crew would not be as subject to contact

with the Canadian wage earner such as a member of a crew of a tug who is spending a lot of time in close contact with other seamen, but I have found union representatives can go onto a freighter just as easily as they can go onto a tug.

MR. PRENTICE: It is two years that you say they sign their Articles for?

THE CHAIRMAN: Yes.

MR. PRENTICE: Well, after two years there would be competition, and after that they would have no more Articles signed on that basis.

MR. MUNDELL: I want to get clear your position in regard to alternatives to restrictions in regard to solving the shipyard problem if it should develop that there is one. You are opposed to restrictions, as I understand it, but you take no position on subsidies, or any alternative method of dealing with the shipyard problem if there is one?

MR. PRENTICE: That is correct. We feel this Commission is going to find out the answers to those points.

MR. MUNDELL: Would you have any objection to subsidies for the shipyards?

MR. PRENTICE: No. If it is felt that for the good of Canada the shipyards should be subsidized -- that is, by the report of this Commission -- we would not object to it.

THE CHAIRMAN: Of course, your particular method of operation is something different from a bare importation and use. It is an importation,

and then there is a very considerable amount of shipyard work done before you can use it; is not that right?

MR. PRENTICE: These tankers that are being converted to barges, yes, but it is to a lesser extent on the tugs that we brought in.

THE CHAIRMAN: Well, they were American tugs.

MR. PRENTICE: Yes, they were American tugs.

THE CHAIRMAN: That is only a special permit proposition.

MR. PRENTICE: They were imported under the "duty paid down" regulation, and everything else.

THE CHAIRMAN: But since 1950 they could only be imported on a permit.

MR. PRENTICE: These were before 1950.

THE CHAIRMAN: So, as I say, that is a special permit proposition, and it can be controlled administratively.

MR. MUNDELL: There is one other small point, if I might mention it, in your brief at page 2 where you state:

"The British Columbia shipyards'
"cost of repairs has been so high that four
"tug companies, including ourselves, have
"been forced to operate marine railways
"and repair yards of our own to perform
"a part of our repair work."

Is it your belief that by operating your own yards you have saved costs beyond what would be the profit margin?

MR. PRENTICE: First of all, we have to divide that into two sections. On the larger vessels you cannot afford equipment, but with the smaller vessels we feel we have saved on the scows and things like that. What their profit margin is I do not know.

MR. MUNDELL: You feel you save money by doing it yourself?

MR. PRENTICE: Yes, we feel that with the wooden scows and things of that kind, and smaller pieces of equipment, we have saved money.

MR. MUNDELL: How your costs compare with the shipyards' costs you do not know?

MR. PRENTICE: Well, you might mention profit.

MR. MUNDELL: Well, I was getting at the cost by the indirect method.

MR. PRENTICE: So far as repair costs are concerned, in the case of a wooden scow you have so many planks to take out and so many to put in, and we think our overhead would be less than the overhead of a shipyard which has to maintain a lot of technical equipment and things of that kind to support itself. We could not tackle the jobs the shipyards tackle, and those kinds of jobs we give to the shipyards.

THE CHAIRMAN: And in the case of these steel scows it is a combination of both -- the shipyards build the scow, and then you build the housing or the upper work?

MR. PRENTICE: We build the boxes of wood

on top of them afterwards.

COMMISSIONER WICKWIRE: How do you find competition among the shipyards for the jobs they do for you?

MR. PRENTICE: There is a great deal of competition among the local shipyards for repair work. There is no question about that. If we have vessels which have unfortunately been beached, or damaged, you will find there is quite a difference in the quotations from the shipyards on that repair work -- more so than building a new piece of equipment.

MR. MUNDELL: There is one question I want to ask, and I am not sure if it is a fair question, but if you can give the Commission any help on it it would be desirable. Have you any idea how your costs and rates would be increased? Have you done any calculation in regard to that question -- that is, if you had to use Canadian-built scows, barges and tugs from now on?

MR. PRENTICE: Well, we had better start the point on these tankers, if you want to. If we had had to buy these tankers new instead of buying them and converting them in the way we did I would say we could not have possibly raised the finances to buy them. We could not possibly have gone out and got anybody to lend the money on a bond issue, or something like that, even though we were a shipping company.

MR. MUNDELL: If they were going to be profitable to you you might have been able to do it.

MR. PRENTICE: If you go into the financial market to borrow money you can only borrow in relation to what your own assets are at the present time, and the man who is lending you the money looks upon the profit you are going to make with new equipment as being problematical. If you name a certain amount he will cut that down when he lends you the money, and the money would be so great in amount to buy these seven vessels that I do not think any financial house would lend us that amount of money.

MR. MUNDELL: Coming back to the question, then, you have not done any real calculation in regard to an increase in rate, and you have not any idea of its magnitude?

MR. PRENTICE: No, except that we know that if this program of ours had cost twice as much as it did cost, or what we estimated it was going to cost, we would never have felt we could go into the financial market and put a bond issue out which would be acceptable to the lender.

THE CHAIRMAN: Perhaps you could not persuade the lender's representatives that at twice the rate, because of the double cost, you would be able to get the business. That is simply a matter of his judgment of your ability to get the business.

MR. PRENTICE: Yes, we would not be able to charge that much, as far as I can see. The lumber industry would not pay it. They would keep the rafts.

THE CHAIRMAN: It was the kind of trade where, if you could get a vessel into it at low cost, you would get the business?

MR. PRENTICE: That is what we felt.

THE CHAIRMAN: If you could not get the vessel you would not get the business?

MR. PRENTICE: That is what we felt. We felt that here was a cheap vessel. We were fortunate enough to know they were there ahead of anybody else, and we put in our bids higher than anybody else's who was interested in them. We had the ability to tow them up ourselves at cost whereas other companies would have run into higher costs if they did not have the right equipment; it would have cost them more to bring them up. We did that job, and did not tack a profit onto the job; we just had the cost plus overhead in bringing them up here, and we felt that we could do the converting of them over here at a price which would make them competitive in the industry of moving logs.

MR. MUNDELL: I think that is all I have to ask.

MR. GERITY: Mr. Prentice, I take it that your company is principally a tow-boat company?

MR. PRENTICE: A tow-boat company, and you can enlarge that by adding the barges and scows and equipment of that kind to provide water transportation.

MR. GERITY: I suppose you are aware of the provisions of the Canada Shipping Act, Section

672?

MR. PRENTICE: I would rather have them read to me. We are in the tow-boat business, and not the legal business.

MR. GERITY: It is Chapter 29 of the Revised Statutes of Canada of 1952, Section 672:

> "The master of any steamship, not being "a British ship, engaged or having been en- "gaged in towing any ship, vessel or raft, "from one place in Canada to another, except "in case of distress, is liable to a fine of "four hundred dollars; and that steamship may "be detained by the collector of Customs at "any port or place to or in which the ship, "vessel or raft is towed, until the fine is "paid."

I suggest that that Section has very adequately protected your company in this business.

MR. PRENTICE: Well, now, you are saying "towing a vessel". Our towing of vessels is a very small part of our business. It is mostly logs, and log rafts.

MR. GERITY: The Section also says: "any ship, vessel or raft."

MR. PRENTICE: All right. Well, it looks like that. A lot of lumber or logs are towed into the States, and an American tug can do that, can it not?

MR. GERITY: If it goes to the United States.

MR. PRENTICE: Yes.

MR. GERITY: But I suggest that on the coast of Canada, which is the principal business of this Commission, you are adequately protected.

MR. PRENTICE: I would say our industry is adequately protedcted -- not just ourselves.

MR. GERITY: By the present legislation?

MR. PRENTICE: That looks like it. In our business of towing that seems to cover it.

MR. GERITY: You are not seriously suggesting, are you, that the British are going to build tugs and come out to British Columbia to compete with you?

MR. PRENTICE: I would not like to question that. You can make the suggestion if you like.

MR. GERITY: Well, you suggested it. I might answer it for you ---

MR. PRENTICE: I think one point ---

THE CHAIRMAN: Mr. Gerity, you have the novel facility of asking a question, and if you do not get an answer, you answer it yourself.

MR. PRENTICE: In the United States the law also permits only an American tug to tow -- we cannot tow between two points in the United States either. That same thing has an effect both ways.

MR. GERITY: But no one else can tow between two points in Canada other than, let us say, your company and those who are in the same business.

MR. PRENTICE: We are not asking for that

protection.

MR. GERITY: You have it already.

THE CHAIRMAN: When you use the word "can" do you mean "in practice is able economically to do so"? As far as the law is concerned ---

MR. GERITY: What I am trying to say is this, my lord, that on the coast of British Columbia, leaving out the passenger and ferry service, it is apparent from what has been submitted to your lordship and the Commissioners that the large part of the business is tug and tow, and I have been suggesting to this witness that it is not practicable for anyone else to get into that business.

THE CHAIRMAN: Practicable from the legal aspect?

MR. GERITY: I have suggested to him that as the law stands in Section 672 no one other than a British ship can do that. That is right, is it not?

MR. PRENTICE: You mean a Canadian vessel, do you not?

MR. GERITY: Well, British and Canadian are co-relative terms in the Shipping Act.

MR. PRENTICE: Well, you know the Shipping Act, and I do not.

MR. GERITY: Well, I am supposed to know it. For our present purposes I might say, subject to correction, that "British" and "Canadian" are exactly co-relative terms, so, therefore, on this coast is it not true, Mr. Prentice, that you have

some protection from the law of our country?

MR. PRENTICE: According to the law as you read it the tow-boat industry would have a protection.

MR. GERITY: Are you not familiar with that Section?

MR. PRENTICE: No, I am not. I mean, we try to operate the tugboats ---

MR. GERITY: Are you members of what is known as the Eastern Canadian Tugboat Owners Association?

MR. PRENTICE: Not the Eastern, but there is a B.C. Tugboat Owners Association.

MR. GERITY: Do you use the same clauses in your contracts?

MR. PRENTICE: A lot of our jobs are not under contracts. The other contracts such as those with regard to the chips are specially drawn contracts.

MR. GERITY: I doubt if you accept liability for towing, do you?

MR. PRENTICE: No, the cargo -- we do not accept liability for the cargo.

MR. GERITY: Now, in looking at your brief you speak of repairs as being a very high cost in British Columbia. Is there anywhere else that you can repair?

MR. PRENTICE: We are speaking only of British Columbia, and we can only repair in British Columbia.

MR. GERITY: There is nowhere else?

MR. PRENTICE: No, there is nowhere else we can repair.

MR. GERITY: Do you know that labour costs are higher in this Province?

MR. PRENTICE: I know our labour costs are higher, yes.

MR. GERITY: Is there any competition from British ships on this coast in your business?

MR. PRENTICE: There is not, no, not in the tugboat business nor in the tow-boat business.

MR. GERITY: It is merely an accademic question?

MR. PRENTICE: I would say so, probably.

MR. GERITY: So, therefore, if I should suggest to this Commission that the coasting trade be closed it would not really affect you very much, would it?

MR. PRENTICE: Would you repeat that?

MR. GERITY: I said, if I should suggest to this Commission that the coasting trade should be reserved to Canadian ships it would not affect you very much, would it?

MR. PRENTICE: Not as it stands at present, no. Of course, we are not asking it to be closed, though.

MR. GERITY: I realize that.

MR. MUNDELL: When you say "restricted", do you mean ---

MR. GERITY: I said "reserved"; not "restricted".

MR. MUNDELL: ... reserved to Canadian-built and Canadian-registered ships?

MR. GERITY: Yes. And over the years, Mr. Prentice, if you build your special purpose vessels, which I suppose they are, in British Columbia yards, do you really think that the cost must go up?

MR. PRENTICE: Well, let us put it this way, if we could buy a tug for $250,000, as we did, and it cost $600,000, that cost has got to be absorbed somewhere.

MR. GERITY: If I suggest to this Commission that they recommend to our politicians some tax relief would not that cure it?

MR. PRENTICE: That would be your recommendation. It is not for me to say that it would cure it, or not.

MR. GERITY: But all things being equal you would not care, would you?

MR. PRENTICE: You are speaking of subsidies to Canadian shipyards?

MR. GERITY: I am not speaking of subsidies.

MR. PRENTICE: What are you speaking of?

MR. GERITY: I said, if you could get the same vessel in a British Columbia yard, and our Government in its wisdom, we hope, decided to give some relief to you as a shipyard building a ship which would equalize or bring down the actual cost, you would be quite happy, would you not?

MR. PRENTICE: We would certainly just as well buy a Canadian-built vessel as an imported one if we could buy it at the same price, and we have shown our desire to buy Canadian equipment

through the purchase of these new scows.

MR. GERITY: From the point of view of principle, Mr. Prentice, you will agree, perhaps, that if the Commission did recommend it and it did not mean a higher cost to you, you would prefer to build in Canadian yards?

MR. PRENTICE: We certainly would prefer to buy Canadian ships if we could buy them at the same price.

MR. GERITY: There is a statement in your brief -- and I am sorry to quarrel with you about it -- on the first page, the third paragraph:

"Such interests, it would appear,
"cannot or do not wish to operate as efficient-
"ly as they should, and so desire this pro-
"tection to enable them to increase their
"profits to the detriment of others in Canada."

Now, Mr. Prentice, that is a very lovely sentence, of course, and I might as well tell you that I also represent some shipowners on the Great Lakes. Do you really think that that is a sound sentiment?

MR. PRENTICE: Well, let us divide that up a little bit. The shipyards here, we will say -- the large shipyards -- have to maintain their ability to build various types of vessels such as we were speaking of -- war vessels and ships of that kind -- and it takes a tremendous amount of technical ability to maintain them. Other vessels like ours can be built with much less use of that type of technical equipment and overhead. So

far as we are concerned we do not feel there should be a confusion of overhead costs. If we build a Canadian vessel we should not have to pay some type of overhead that may include those high costs that are applicable to another type of ship.

MR. GERITY: Well, I must read the whole paragraph again to you, Mr. Prentice. This is your brief, and it says:

"A few ship operators in the St. Law-
"rence and shipbuilders are importuning Parlia-
"ment ... "

-- I am not aware that they have --

"... that they be protected by an absolute
"barrier, to be erected against ships which
"are not completely built in Canadian ship-
"yards. Such interests, it would appear,
"cannot or do not wish to operate as efficient-
"ly as they should ..."

MR. PRENTICE: First of all, I understand there have been -- I do not know what you would call it; you might use some other term -- there have been representations made by an association of the shipping industries to have ships not built in Canada excluded from Canadian trade. Am I not correct in that?

MR. GERITY: I do not know that that is the position of the shipowners.

MR. PRENTICE: Or the shipbuilders?

MR. GERITY: It is the position of the shipbuilders.

MR. PRENTICE: Then, I say the shipbuilders.

MR. GERITY: It may have been suggested to the Commission yesterday afternoon that the parties may be closer together at the final hearings of this Commission than they are now.

MR. PRENTICE: Well, let us hope they are.

MR. GERITY: You will agree with me, Mr. Prentice, that this Commission has a very difficult task.

MR. PRENTICE: I would certainly agree. They have a most difficult task.

THE CHAIRMAN: That is a question you could ask and get nothing but assent from the Commission.

MR. GERITY: Well, Mr. Chairman, I have always tried to be helpful, and I hope I will continue to be, and I would think the parties are not so far apart as they seem to be. However, do you really think, for instance, that Great Lakes operators do not operate as efficiently as they should, to use your own words?

MR. PRENTICE: The Great Lakes operators? I am not actually too familiar with the methods of operation on the Great Lakes. We know the methods of operation on the British Columbia coast, but not on the Great Lakes.

MR. GERITY: And on the coast here you operate as efficiently as you should?

MR. PRENTICE: We hope we do. We try to keep prices down.

MR. GERITY: You would not suggest, as was

suggested by some economists in Manitoba, that foreign companies might come in here and do the British Columbia tugboat business? For instance, could you meet Japanese competition?

MR. PRENTICE: If the Japanese paid Canadian wages we feel we could get by.

MR. GERITY: Why should they?

MR. PRENTICE: Because I do not think they would get a Japanese seaman to work for any length of time when they learn what wages are being paid here.

MR. GERITY: Are you sure of that?

MR. PRENTICE: No, I am not sure of that. Your question is only a question as to what might be.

MR. GERITY: There is one ship which belongs to the British American Oil Company, which is a Canadian oil company, which has a Japanese crew and a Canadian captain. It was over in Japan, and its crew is Japanese, and I am sure they are not paid Canadian wages.

THE CHAIRMAN: How is it operated, and where is it operated?

MR. GERITY: It is operated from Toronto, Mr. Chairman.

THE CHAIRMAN: Where does it operate to?

MR. GERITY: All over the world, wherever profitable cargoes are offered.

THE CHAIRMAN: That is not what Mr. Prentice is dealing with. He is dealing with a tugboat crew operating up and down the British

Columbia coast and Vancouver Island.

MR. GERITY: I realize that, but I think the evidence which has been put before the Commission is to the effect that British crews have not objected to taking the wages they have had.

THE CHAIRMAN: That is some of the evidence, but it is certainly not all of it. In fact, several witnesses have mentioned that there has been trouble already last year, and the British crews were paid a bonus in order to cure that.

MR. GERITY: Well, Mr. Chairman, I think that only two owners have been before the Commission as I mentioned in Winnipeg, Mr. Tregenza and Mr.Rees, and they both agreed with me, and I think the record will show it, that they have had no difficulty.

THE CHAIRMAN: They may have not, but others have. It is no use you or I debating the evidence. It is all being taken down, and you and I can go through it.

MR. GERITY: Mr. Prentice, I think it is true for me to say that your company is substantially protected by mere geographic location, and that it is quite unlikely that British companies would get into the tug and tow business in British Columbia.

MR. PRENTICE: You can give as good an answer to that as I can. We are in business here, but I do not know what the British want to do.

MR. GERITY: Will you agree with me?

MR. PRENTICE: I cannot agree with you. I

do not know what the British people might see fit to do. If they do see fit to come here and open a British Columbia company we will have to compete with them, and I believe we can do so successfully.

MR. GERITY: Have they attempted to enter into competition with you?

MR. PRENTICE: Not to my knowledge.

MR. GERITY: So, besides Section 672 of the Canada Shipping Act is it correct for me to say that you have had the protection of your geographic location?

MR. PRENTICE: You are saying that in your opinion British tug companies will not come here. You may be correct, and I will leave it at that.

MR. GERITY: Have they ever tried to come here?

MR. PRENTICE: I said before not to my knowledge.

MR. GERITY: And how many years have you been in the business?

MR. PRENTICE: About ten years.

MR. GERITY: So, then, if this Commission were to recommend the restriction of the coasting trade to Canadian-built ships does it not mean only that you would be prevented from buying tonnage in the United States?

MR. PRENTICE: No, and you would not buy tonnage in Britain.

MR. GERITY: Have you ever bought tonnage in Britain?

MR. PRENTICE: I have bought registered ships that were built in Britain -- these seven tankers. They are British-registered ships built in Britain.

MR. GERITY: Where are they registered now?

MR. PRENTICE: Four of them are Canadian Registry and three of them are still British Registry.

MR. GERITY: Do you consider that the British Columbia shipyards are efficient?

MR. PRENTICE: I am not capable of answering that question. There is our work and all other types of work. I do not think a man who is in the tug-boat business can really state whether they are wholly efficient, or otherwise. We can only state what our costs are.

MR. GERITY: Your costs are relative to those in other Canadian companies?

MR. PRENTICE: Our costs on the building of new vessels are competitive between the two shipyards.

MR. GERITY: You only compete with other British Columbia companies?

MR. PRENTICE: We only have to compete with other British Columbia companies at the present time. In some of that other work, speaking of taking these tugs down to South America, we had to compete with American companies, and in bringing those cargoes up from Portland to Kitimat we also had American competition.

THE CHAIRMAN: And your chips?

MR. PRENTICE: Yes, our chips as well.

I am not too sure of that, but I believe there could be American competition on these chips.

MR. GERITY: But in your general business you compete with Canadians?

MR. PRENTICE: Mostly Canadian companies.

MR. GERITY: And if both of you had to buy your vessels in Canadian yards you would be on an equal basis, would you not?

MR. PRENTICE: We would be on an equal basis with other Canadian companies. That is a question that would be rather difficult. We have a lot of tugs now and other companies have a lot of tugs, and they have been bought at prices which were economical, and there were importations, and then we have started owning new pieces of equipment as we have done with these scows. A new company could come in and start all over with new stuff, but it would be pretty difficult for them.

MR. GERITY: Supposing, for instance, they were to use the articulated tow.

MR. PRENTICE: What do you mean by "articulated tow", if you can tell me.

MR. GERITY: You are a tow-boat man.

MR. PRENTICE: You are asking the question.

MR. GERITY: They use them on the Missiissippi River.

MR. PRENTICE: I am not on the Mississippi River. Do you know what an articulated tow is, Mr. Elworthy?

MR. GERITY: It is one where the tow-boats

are behind and not in front, and the vessels are connected together by a system of not lines but they are articulated in the sense that the tow-boat can control the whole movement. I am told, although I have not seen it personally, that their tows run over a thousand feet in the Mississippi River, and I do not mean logs.

MR. PRENTICE: No, you mean vessels. Might I suggest that the towing on a river which is evenly flowing is entirely different from towing on an ocean as we do around here.

MR. GERITY: I do not suggest that it is not, Mr. Prentice; what I am trying to suggest to you is that the shipbuilding industry of British Columbia is very well fitted to look after your interests provided your competitors are in the same position as yourselves.

MR. PRENTICE: We have tried to use the shipbuilding industry in British Columbia to the greatest possible extent, and we still want to do so.

MR. GERITY: Supposing that your competitors and yourselves are in exactly the same position of having to get your equipment from British Columbia yards.

MR. PRENTICE: I will come back to the two bases, and the first is the magnitude of your new purchases. If the magnitude was too great and the cost was too great you could not go into it. The next one is that if you have to put too much high cost equipment into the business, and the

difference in cost was too great, somebody has got to bear that cost, and I am afraid it would have an influence on the rates.

MR. GERITY: Are we all not in that position?

MR. PRENTICE: I am not only speaking for my own company.

MR. GERITY: Do you know what percentage of the tax bill of Canada Ontario pays, which is where I live?

MR. PRENTICE: I could look it up, but I do not know.

MR. GERITY: If I said to you it was 34% would you say I was wrong?

MR. PRENTICE: No, I would not because I would figure you had looked it up, and I have not.

MR. GERITY: I am trying to suggest, Mr. Prentice, that the problem before this Commission is not exactly one of economics; it is a question of principle, I think. Would you say that the British Columbia shipyards should simply die?

MR. PRENTICE: I certainly would not want to see them die.

MR. GERITY: Have you any suggestions to keep them alive?

MR. PRENTICE: I am in the tow-boat business, and we try to give all the work to the British Columbia yards.

MR. GERITY: I know that; I am very well aware of it.

MR. PRENTICE: You have asked a question

that is well beyond the scope of my submission, or anything that we in the tow-boat industry can answer. It is one of the answers the Commission is going to come up with.

MR. GERITY: The Chairman and the gentlemen who assist him look to you and I to provide the answers.

MR. PRENTICE: We have tried to provide an answer from our point of view.

MR. GERITY: I ask you one question only: If your equipment and the equipment of your competitors was built in British Columbia yards would you not be in exactly the same position as they are?

MR. PRENTICE: If the British Columbia tow-boat industry had not been able to import ships it would be, on that theoretical question, in exactly the same position. Whether they could maintain the same rate to the lumbering industry is another question.

MR. GERITY: The law has already given you the protection. No ship other than a British one can tow on the coast of Canada.

MR. PRENTICE: You are talking of two different things. First you talk about the shipyards building ships and the cost of building ships, and then about who can work the ship after it is built. Deal with each one separately.

MR. GERITY: Well, do that, sir. I do not wish to confuse you.

MR. PRENTICE: Which are you asking? You have shown us there that we have a protection in

towing, and next you put a theoretical question that if all tow-boat companies had to buy British Columbia equipment would they be in the same position as to capital cost and operating cost. That is one question. Whether they could charge the same rates as they do at the present time is an entirely different question. Does that answer your question?

MR. GERITY: I suppose it does, but you are not necessarily stuck with British Columbia yards. If you wanted to build a tug you could have it built in Montreal.

MR. PRENTICE: Well, you could, but it would have to be a very large vessel to absorb the cost of moving it down the Atlantic Coast, through the Panama Canal, and bring it up the West Coast. That would add to the cost, and the proportion of that cost in regard to the total cost would show whether it is economically feasible. With a large tug you might do it.

MR. GERITY: Suppose I was imbued with sufficient wisdom to suggest to this Commission an answer to the question of capital cost? In other words, supposing if you built your ship at Yarrows or Burrard's or V.M.D., and the capital cost was equalized by some system that I could suggest to this Commission, would it make any difference to you?

MR. PRENTICE: We would be happy to use the British Columbia product if the cost could be the same.

MR. GERITY: In other words, you would be perfectly happy to buy the Canadian product if it leaves you in the same position that you are now?

MR. PRENTICE: Yes, if we could buy our British Columbia product in the shipyard at the same price that we can buy it elsewhere we would be happy to buy it.

MR. GERITY: Thank you, Mr. Prentice.

MR. WRIGHT: There are just one or two questions I would like to ask you, Mr. Prentice, if I may. The goods you carry are largely carried in scows and barges, as I understand it?

MR. PRENTICE: And towing rafts and other types of rafts.

MR. WRIGHT: I wonder if you could tell us what the tonnage of the scows and barges is, generally?

MR. PRENTICE: The average scow that we use -- the new steel scows are a little over 500 tons; the older wooden scows would run about 400 tons, up and down. The barge would run, I would say, roughly 3,000 tons. The four tankers would run around 2,400 tons, possibly, and the three larger tankers that we are converting would run a little over 3,000 tons.

MR. WRIGHT: What percentage of your scows and barges would be below 500 tons, Mr. Prentice?

MR. PRENTICE: Are you speaking in units, or in tonnage?

MR. WRIGHT: Well, I am not sure that I understand you.

MR. PRENTICE: If you are speaking in numbers I could say right off, without looking it up, that our numbers of pieces of equipment below 500 tons ---

MR. WRIGHT: That is what I mean, Mr. Prentice.

MR. PRENTICE: If you make it about 550 tons I could say "yes", but if you said to me -- if we take these three barges I would have to add up all the tonnages ---

MR. WRIGHT: No.

MR. PRENTICE: It is individual units of equipment that we are speaking of now, and I would say not all of our tugs would be below 525 tons.

MR. WRIGHT: More would be below than above?

MR. PRENTICE: Yes.

MR. WRIGHT: Yes, I see. Thank you, Mr. Prentice. You mentioned that you carry logs, lumber and sand and gravel? I think those were the only things?

MR. PRENTICE: And wood chips.

MR. WRIGHT: I beg your pardon?

MR. PRENTICE: And wood chips.

MR. WRIGHT: Yes.

MR. PRENTICE: And all products of the forest of any kind, and also we carry any bulk cargo that is offered that will fit on our pieces of equipment.

THE CHAIRMAN: Sawdust?

MR. PRENTICE: We have not carried much sawdust, no. The chip carriers can carry sawdust. They are the scows that are carrying chips with the boxes or fences on, but I do not think we have had sawdust cargoes. There is very little sawdust moved.

THE CHAIRMAN: Do you carry very much general merchandise?

MR. PRENTICE: No, only bulk. If by that you mean something which is a scow-load, I would say yes. If you had a lot of logging equipment that was needed to be moved from one point to another which would make a scow-load we would carry it.

MR. WRIGHT: You would not carry any so-called packaged freight?

MR. PRENTICE: No, we are not in the packaged freight business at all.

MR. WRIGHT: Any groceries?

MR. PRENTICE: No, all bulk cargoes. If, say, some grocer came along and said he had a cargo that would not be damaged by water and he wanted to get it from here to Kitimat, or somewhere like that, we would look into it, anyway.

MR. WRIGHT: You might consider taking that cargo?

MR. PRENTICE: Yes, except that water damage would be one of the points that would have to be considered carefully.

MR. WRIGHT: You have some covered barges?

MR. PRENTICE: No, we are not in that

field. The Vancouver Barge Transportation Limited are in that field.

MR. WRIGHT: If that grocer did come to you with something that he was prepared to have taken from, say, Vancouver to Kitimat on an open barge how would you determine the rate that you were going to charge him?

MR. PRENTICE: First, we would find the length of time he wanted -- first of all, we have got to see that cargo would not be damaged by our piece of equipment. We would have to be sure he felt safe.

MR. WRIGHT: It would be at his risk?

MR. PRENTICE: Yes, but we do not want to carry a cargo if it is not going to fit into our business operations. We would want to know how long it would take to load it, how long to take it there, and how long it would take to unload it, and the type of equipment. We would know what type of tug it would take to tow it, and we would consider the length of time the tug would be in service from point to point and where it would come back into service. We would figure our tug cost, and figure out the amount we would ask for that cargo.

MR. WRIGHT: And whether you had a return cargo coming down?

MR. PRENTICE: If you had one coming down you could give a cheaper price, but it would have to be that a return cargo was available there. It would be based on our own cost.

MR. WRIGHT: In any event, I take it that for the cargoes you carry you calculate the rates for each individual load?

MR. PRENTICE: We try to calculate the rates. Under the contracts we have already calculated them, and each year we make submissions to try to get together on the rate.

MR. WRIGHT: You have not published rates that are open to all shippers?

MR. PRENTICE: Not that I know of. As far as we are concerned there are no rates that are published to anybody, and I do not think there is any rate for the general public. For instance, such carriers as Stanley and Vancouver Barge Transportation, I believe, have a published rate. If you ask them how much it would cost to take your car across they would tell you, but so far as we are concerned it has to be a rate calculated on each individual trip. There are certain rates that we have created for the towing of logs and for the towing of rafts, but they are rates between ourselves and our customers which are set, and if conditions change they would be subject to change.

MR. WRIGHT: Yes. I think that is all. Thank you very much.

THE CHAIRMAN: Thank you very much, Mr. Prentice. We will have a recess now of ten minutes.

---A short recess.

MR. GERIN-LAJOIE: Mr. Chairman, I

understand Mr. George Nicholson will make the next presentation to the Commission.

THE CHAIRMAN: Yes, Mr. Nicholson?

MR. NICHOLSON: Mr. Chairman, I thought it was the practice to read the brief, but I find I do not have to and that will save us a lot of time, but it might change the wording of some of my statements here. These are my opening remarks, and they will be very short. Before presenting my brief may I be permitted to say a few words?

I fully realize that you have far greater matters of importance to take into consideration than the subject I am now bringing up, but I am appearing before you on behalf of an area which the residents claim has not only been badly neglected but has received a raw deal in the matter of steamer transportation.

The west coast of Vancouver Island is not away up in the north off the map with a few odd white settlers. Most of it lies below the 49th parallel, which is probably further south than where you three gentlemen live yourselves. It is inhabited by approximately 5,000 solid Canadian citizens, most of them of the second and third generation, and most of them are engaged in the production of raw materials vital to Canadian economy -- fish, lumber and minerals. There are some Indians, it is true -- about a thousand all told -- but they all live up to the white man's standards, they pay income tax, and they are entitled to the same consideration as ourselves.

It was in this area that Captain Cook first

discovered the land that is now known as British Columbia. He landed at Friendly Cove on Nootka Sound in 1778. The Spaniards came along afterwards, and if it was not for the men who came along later this country might well have belonged to Spain.

I wish to apologize for presenting my brief in closely typed form. This was done in ignorance, not being familiar with the usual procedure. I might also state that I prepared this case entirely by myself. That is to say, I did not have any lawyer to help me.

Attached to the brief is a small map on which is marked all the places I have referred to, or by means of the large map on the wall, with your permission, I could, if you wish, point out the places as we come to them. I would like to give you a little review, if I am permitted, Mr. Chairman. May I submit three photographs. They are of the Princess of Alberni, the Princess Maquinna, and the Princess Nora, which you will see referred to from time to time as you read my brief.

MR. GERIN-LAJOIE: Would you like to have these photographs filed as exhibits?

MR. NICHOLSON: They might as well go in. I have more copies. You can take them as souvenirs if you like.

THE CHAIRMAN: They will go in together as Exhibit 51.

MR. NICHOLSON: If they clutter up the record you can give them back.

---EXHIBIT NO. 51: Photograph of the S.S. Princess of Alberni; photograph of the S.S. Princess Maquinna; photograph of the S.S. Princess Nora.

MR. NICHOLSON: May I also file five letters supporting my brief? They are from the Ucluelet and Port Albion Chamber of Commerce, the Tofino Chamber of Commerce, the Zeballos Board of Trade, Ivan H. Clarke of Hot Springs Cove, and Mr. William C. Youell. These I received since filing my brief on April 26th.

THE CHAIRMAN: The letters will be Exhibit 52.

---EXHIBIT NO. 52:
(a) Letter from Ucluelet and Port Albion Chamber of Commerce to Royal Commission on Coasting Trade dated August 22nd, 1955.
(b) Letter from the Tofino Chamber of Commerce to the Royal Commission on Coastal Trade dated August 9th, 1955.
(c) Letter from the Zeballos Board of Trade to the Maritime Commission on Coastal Trade, dated July 21st, 1955.
(d) Letter from Ivan H. Clarke, Hot Springs Cove, B.C. to the Royal Commission on Coastal Trade, dated May 15th, 1955.
(e) Letter from William C.Youell to Major George Nicholson, dated May 12th, 1955.

MR. NICHOLSON: Here we have my brief, but I take it I do not have to read it, so, there it is. Since submitting my brief -- this is very short, Mr. Chairman -- a number of certain matters pertinent to the subject have arisen that I would like to bring to the attention of the Commissioners.

Reference is made throughout my summary to competition and duplication of service between

the Canadian Pacific Railway Company's B.C. Coast Steamships and the Waterhouse Steamship Company which, in reality, has been controlled for a long time by the Union Steamship Company.

I particularly refer you to the following paragraphs in my brief -- the second half of paragraph 5; the second half of paragraph 9; the whole of paragraph 10; the whole of paragraph 11; and the last three lines of paragraph 32. I do not wish to refer to them; you can refer to them yourselves at your leisure when necessary.

I quote the following news item from the Vancouver Daily Province, dated August 4th, 1955:

"City men seek control of Union Steamships.
". . . discussions with Canadian Pacific
"Steamships Limited for purchase of that
"company's controlling shares in Union have
"been going on for several months."

And, again, from the same newspaper of August 15th:

"Three city men buy control of Union
"Steamship Company . . . have acquired
"80,000 shares in the company, formerly
"owned by Canadian Pacific Railway."

From the above it would appear that the C.P.R. has owned the controlling interest in Union Steamships for a considerable time, but for how long I do not know.

Union Steamships operate 12 steamers, several of them suited for the west coast of Vancouver Island passenger and freight trade.

By adding passenger accommodation others could be converted for the same trade.

In fact, as outlined in my brief, several of these same ships have been carrying the heavy cargo to the same west coast points which the C.P.R. steamer calls at. And one at least has been plying regularly between Vancouver and Port Alice on Quatsino Sound ever since 1946 when the C.P.R. told us they had lost the contract, to the same boats, for carrying the pulp from Port Alice.

One might, therefore, naturally ask: If the C.P.R. controlled Union Steamships, why has it not re-arranged, or why did it not re-arrange, that company's sailing schedule and diverted one of these ships to the west coast of Vancouver Island passenger and freight trade, and thereby saving the duplication of service referred to in the different paragraphs of my brief?

The other point is this, Mr. Chairman: Reference is made to paragraph 3 of my main brief. Until March of this year the C.P.R. steamer, Princess Nora, maintained the Vancouver-Kitimat-Prince Rupert-Ketchikan passenger and freight service, and the C.N.R. operated a similar ship on the same run with the exception of the Kitimat call. According to Press reports, both companies insisted that the run was unprofitable for two ships -- there were two ships on the run. As a result, a working agreement was made between these two companies and the C.N.R. ship was withdrawn.

As from March 29th, 1955, the Princess Nora has maintained the run under the joint management of the C.P.R. and the C.N.R., apparently on the same basis that some of Canada's hotels (the Hotel Vancouver, for instance) are jointly operated by the same two companies. The Princess Nora has since been repainted to conform to the colour schemes of the C.P.R. and the C.N.R. If such an arrangement could be worked out in this case, why could there not be a similar arrangement between the C.P.R. and either the C.N.R. or Union Steamships for the west coast of Vancouver Island service?

That, Mr. Chairman, I would like to add to my brief.

MR. GERIN-LAJOIE: Will this be an exhibit, Mr. Chairman?

THE CHAIRMAN: No; it will be added to the record.

MR. NICHOLSON: Assuming that I have read my brief, Mr. Chairman, that concludes my submission. It is regretted that you gentlemen did not have an opportunity of seeing the west coast of Vancouver Island yourselves, but that is because there is no ship in which you could travel, and you cannot see it properly from the air. Apart from industry the area is rich in scenic beauty and Indian lore. In fact, the six-day round trip which the steamers Princess Maquinna and Princess Nora made three times every month was always regarded as one of the most popular tourist attractions on the

coast.

Its original settlers and those who have gone there since have progressed solely owing to its water transportation facilities. Suddenly the skids have been pulled out from under them, and the various settlements may now be likened to what the prairie towns would be like if the C.P.R., because the railroad was not paying, suddenly took off the fast trains and substituted a mixed freight and passenger train once a week.

Thank you, Mr. Chairman.

THE CHAIRMAN: Thank you very much.

MR. MUNDELL: I wonder if you would answer a few questions for the assistance of the Commission?

MR. NICHOLSON: Ask as many as you like, and I will try to answer them.

MR. MUNDELL: I have not too many questions, but there are a few things I would like to clear up. You mentioned the Waterhouse Steamship Company?

MR. NICHOLSON: Yes.

MR. MUNDELL: Can you give the Commission any information on that company?

MR. NICHOLSON: Well, I have referred to it throughout my brief and, of course, that is where you get that point from.

MR. MUNDELL: That is right.

MR. NICHOLSON: When I went up the west coast of Vancouver Island 40 years ago, the Waterhouse Company was operating a fleet of freight steamers -- purely freight. I would say,

offhand, for 20 or 25 years -- 20 years anyway -- they carried the products of the canneries and the reduction plants -- would you mind, Mr. Chairman, if I could go and stand by that map?

MR. MUNDELL: I think it would be helpful.

THE CHAIRMAN: Yes.

MR. NICHOLSON: By the way, Mr. Chairman, this map should really be at about that angle (indicating). It does not lie north and south; it lies northwest and southeast, and, incidentally, the 49th parallel that I spoke to you about is right here. Victoria, of course, is down at the bottom, and Vancouver is about here, and there is the 49th parallel, so you can see it is not away up in the snow belt as you might have been led to believe. The top of the island is up here.

Up here is Port Alice and there is a pulp mill there. It is the only pulp mill on the west coast of Vancouver Island. This Waterhouse Company we are speaking of used to pack canned salmon, and a little pilchard, and oil from the reduction plants which were scattered at different places on this Sound and at Esperanza Inlet, Nootka Sound, Clayoquot Sound, and Barkley Sound. The Waterhouse Company operated these boats, the Westholm, the Northholm and the Eastholm, and the Grey and the Chilliwak, and they also packed out gold from just here -- $11,000,000 worth of gold in five years. Incidentally, they operated for about 20 years and -- I cannot tell you the date, Mr. Chairman,

but it is not so very long ago; probably five years ago, and I must guess at that -- five or six years ago we were told, or we saw in the paper, that they were being generally operated through the Union Company. Now, I think a few years ago -- probably about two or three years ago -- we saw in the newspapers, and we were also told by friends who knew, that the Union Company had purchased the Waterhouse Company. The Waterhouse Company's boats are now part of the Union, so for all intents and purposes the Waterhouse Company has gone out of business.

MR. MUNDELL: If I understand it correctly, the run up to 1946 up the west coast was serviced by the Princess Macquinna and the Princess Nora -- the Princess boats.

MR. NICHOLSON: Up to 1946. The Maquinna was built here in 1913, right in the shipyards you saw yesterday, and prior to the Maquinna there were several boats that worked here for 75 years, and the C.P.R. maintained a long run once every ten days, or seven days, from Vancouver to Victoria and right up the west coast of Vancouver Island, calling at all of these places right up to Port Alice. It was a passenger and freight service, and they did a good business, as you will see from that brief and, believe me, that is right. For 10 or 25 years she paid, and there is no question but that she paid because she could not take half the freight and you could not get a state-room on her.

She was fully loaded goingup with supplies for the different canneries and logging camps, and coming back she brought a full load of pulp from the Port Alice mill.

MR. MUNDELL: This was up to 1946?

MR. NICHOLSON: Yes. In 1946 I was living here, in Zeballos. We were told that the Princess Maquinna and the Princess Nora were no longer going to Port Alice; they were going to make Chamiss Bay the terminus of the run. We asked the reason why, and the C.P.R., through the various officials, told us that the C.P.R. had lost the contract for carrying the pulp from Port Alice to the Waterhouse boats, and therefore it did not pay to go from Kyuquot Sound, which was the end of the run, with 50 tons of freight and 10 or 20 passengers, and come back with no pulp. So, from 1946 the C.P.R. quit going any further than Kyuquot and made Chamiss Bay the end of the run, and it is still the end of the run.

As I maintain in the brief, Mr. Chairman, part of the time this Waterhouse boat, which is now a Union Company's boat, as I understand it -- I am not sure of the financial structure between the Union Steamship Company and the Waterhouse Company, but to all intents and purposes they are Union Steamship Company's boats now. In 1946 Waterhouse got the contract for the pulp from here to Vancouver, and instead of coming down this way through the C.P.R. territory they went up to the north of

the island this way, and they still do run from Vancouver to Port Alice taking supplies up, and bringing pulp back. That means to say that right up to to-day this has been served by the Union Steamship Company, to all intents and purposes.

The Union Steamship Company, as I pointed out, have 13 -- I did not put the figure 13 in the report, but I am told it is 13 -- they have 13 steamers. I cannot give you the exact figures, but several of these steamers are combined passenger and freight boats. They run to the Queen Charlotte Islands regularly -- not now, unfortunately, while the strike is on -- and they serve all the logging camps up the coast of the mainland.

Surely, Mr. Chairman, if this company, which is supposed to be in opposition to the C.P.R. -- and we find out from my statement that the C.P.R. actually owns it -- surely they could take either this boat that runs up here, or one of the larger and more suitable boats which have accommodation for 40 or 50 passengers, and juggle the schedules around, and put it on the west coast of Vancouver Island.

MR. MUNDELL: That is what I was coming to. I think we have the picture of the services. As I understand it, there is one smaller vessel running up as far as Quyquot Sound?

MR. NICHOLSON: The Princess of Alberni. I am not saying anything against the company that owns her, and I am not trying to infer that

she is small, but her sister ship was a fish packer -- before they put the Princess of Alberni on they had the Vita C which was a fish packer, and this Princess of Alberni is a fish packer, or she is in exactly the same business as the type of boats that have been used for packing fish.

MR. MUNDELL: How far does she go?

MR. NICHOLSON: Chamiss Bay.

MR. MUNDELL: On the long run from Victoria?

MR. NICHOLSON: Yes.

MR. MUNDELL: In addition to that there are other special services up the coast operated by the Union Steamship Company, are there not?

MR. NICHOLSON: No; only this one here around the top.

MR. MUNDELL: She is the only vessel serving the west coast?

MR. NICHOLSON: Yes. This Princess of Alberni is so small that if a logging camp or the Government or the Air Force, or any of the different people up there who need heavy equipment want to get heavy equipment, this boat cannot carry it ---

MR. MUNDELL: Now, you say, I think, in your brief, or you concede in your brief, that probably the operation of a larger vessel on that run would not be profitable. Is that your view?

MR. NICHOLSON: Yes, but before I come to that I want to bring this up: You asked if there were other ships, and there are. This same company that runs the ship here does have another

service. I wanted to tell you that this little boat cannot carry heavy equipment. If they want bulldozers or steamrollers and all the various kinds of equipment they need for road building and construction work, or hauling creosoted piles and things of that kind, they cannot pack them on those ships. All that freight has to be shipped by the Union Steamship Company.

MR. MUNDELL: On a separate contract basis for the particular job?

MR. NICHOLSON: Yes. Well, they wait until two or three companies have a bit of cargo accumulated in Vancouver, and then they divert one of their ships up there, and they actually do run up there, but not on schedule. It may be once a month, or once every two or three months, or whenever business calls for it, but these people who get the machinery up there on these boats have to wait two or three months until the Union Steamship Company can make it worth their while to divert a ship up the west coast, and that is of considerable inconvenience to these industries on the west coast.

MR. MUNDELL: Can we now come to my question? Do I interpret your brief correctly in saying you concede that a regular run such as those made by the Princess Nora and the Princess Maquinna would not be economically feasible now?

MR. NICHOLSON: I admit that it would not be economically feasible.

MR. MUNDELL: And your proposal is a sub-

sidized service with the Government taking up the slack?

MR. NICHOLSON: I am not asking for the same service we had with the Princess Nora and the Princess Maquinna because they were designed to carry in addition to the normal freight and supplies about 75 tourists. Now, the tourist trade only lasts for about five months in the summer time, and while those ships were always sold out to capacity -- for every one wanted to go there were 25 turned down, and that is no exaggeration; they gave Portland an allotment of ten, Seattle an allotment of fifteen, and Vancouver an allotment of twenty for one particular trip, and there would be more than 100 wanting to go out to those places. So, they were designed for the tourist trade, and that tourist trade only lasted five months, and there were over six or seven months of the year when there were no tourists, and there were not enough west coast people travelling, and the ship was top-heavy on overhead so far as passengers were concerned, so it was conceded, and never disputed, that it was not profitable to operate that type of boat on the west coast when tourists did not want to go. There was not only that factor, but the air services came in ---

MR. MUNDELL: Can you indicate where there are air services?

MR. NICHOLSON: Yes, there is an air service to all these places, and they take the

cream of the passenger trade -- probably 75% of the passenger trade -- so we know we will never get another boat like the Princess Nora or the Princess Maquinna.

What we do want is a smaller boat that can carry at least, say, a minimum of 40 or 50 passengers.

Only last week, Mr. Chairman, a friend of mine -- and I can give you his name and address if you want it; he lives here at Tahsis -- Tahsis is not a little place; it is a big place; there are 1,000 people living there, and we have a photograph of four freighters in the Bay here, and there is only room in the dock for one at a time. That is a very important place, but that is beside the question. Only last week a man and his wife and four children came from Tahsis down to spend their summer holidays with their mother in Victoria here. There was the mother, father and four children, and they are all fairly big children -- that is to say, they cannot sleep two in a bed. They had to speak weeks and weeks ahead of time to get reservations on this little boat, the Princess of Alberni. The Princess of Alberni came along, and they had their reservations. She has four staterooms, and each stateroom has two little bunks. They are not the beds you see on these night boats to Vancouver and Seattle; they are just little, tiny, narrow bunks. There are only eight of them, and the six persons in the family took up six bunks, and there was

only sleeping accommodation for two more passengers, and they said there were 20 or 30 people wanting to go down on the same steamer -- married people and people with children, and there were only two bunks left.

Then, Mr. Chairman -- and this is a point I mention in my brief -- the Princess Maquinna stopped at every place going up, and she also stopped at every place coming down, but the Princess of Alberni, no, she is too small. She could never make that schedule. She stops at every place going up, and she stops nowhere coming down. When I say that, I should say that she does stop here and puts passengers off who want to go to Port Alberni, and she also stops at Port Renfrew to pick up the mail.

Now, coming back to my friend and his four children, he holds a responsible job at Tahsis. In fact, he might be termed an executive. He takes the boat because it is not convenient to bring himself and his wife and the four children and their baggage and toys and things down by plane. He would have to charter a plane to come down, and he is compelled to go on the steamer. There are lots more like him. The boat comes up, and he gets on board. He is going down here, but first he must go up this way because the boat goes up here and it stops here, here and here, and during all this time they are getting sick and the boat is going this way and that way. This is the Pacific Ocean we are on, Mr. Chairman; not the Great Lakes or

the inside passage. They are going around here exposed to the ocean through these little inlets until they come to Chamiss Bay, and there they have to stay on board until they unload all the freight. Do not forget that I am giving you the full mechanics of it. If you are going down you have to get on going up, but they do not charge you for going up. If you get on here you have to go up here, and then come back. The company is very kind. It does not charge you for going up here; they just charge you for the mileage from here to Vancouver, but you have to buy all your meals and pay for the stateroom. This family gets up to Chamiss Bay and it does not cost them anything to go there, but they have to pay for the meals and the stateroom, and there is the inconvenience of having four children on the boat for a day and a half longer than necessary -- a day and a half longer than the boat would take if it went straight down to Victoria.

MR. MUNDELL: I think you have said enough to satisfy the Commission that the service is inadequate. Your recommendation is -- firstly, you have conceded a moment ago that the run by a ship the size of the Princess Nora or the Princess Maquinna would not be profitable. Would it be profitable for any size of vessel larger than the present one?

MR. NICHOLSON: Yes, it would.

MR. MUNDELL: Have you any figures on that?

MR. NICHOLSON: I beg your pardon?

MR. MUNDELL: Have you any figures on that?

MR. NICHOLSON: I have no figures. Of course, I have not any figures, but, in the first place, the passengers, you might say, are entirely dependent on the air service. Now, here is a family of six who would far sooner travel by steamer, and there are 5,000 people up there altogether.

MR. MUNDELL: I think you said 75% of them go by air now?

MR. NICHOLSON: Well, that would leave 25% -- maybe 30 or 40 passengers every trip. That would help somewhat. Then, as regards freight at the present time, if the people up here want to ship down some fish or some fern -- that is where Toronto gets all its fern in the winter time. They ship down all sorts of things which are worthless here but which are worth money down there, and these people cannot ship them because half the time the boat cannot pick them up. When it comes down here the boat is so full of freight that it cannot take any more, and I think you will find this point is mentioned in two of those letters. The boat cannot take any outgoing freight because it is too full, and they do not stop coming down to pick up freight.

MR. MUNDELL: You feel, although you have no figures, and I quite appreciate your difficulty, that there is a possibility of a profitable run for a larger vessel than the present one?

MR. NICHOLSON: I certainly do, and also do not forget, Mr. Chairman, that the people in all these places, while there are no through roads -- there is not a single through road of any kind on the west coast; there are local roads, and the longest one is there which is 25 miles long -- at all these places they have short roads of two, five or six miles long into the logging camps and the mines, and they all own cars -- maybe not all, but there are lots of cars and trucks. The Princess of Alberni cannot carry cars and she cannot carry trucks, and if there was another steamer the law of averages would give her half a dozen or ten or fifteen cars every trip at $50 a throw. We are not here with a ferry from here to Vancouver on which you can get a car over for $15. That is money for the C.P.R., or whoever owns the ship.

We do not want a ship as big as the Princess Nora or the Princess Maquinna, but about two-thirds the size, and if it did not pay, seeing that these people were born and brought up here and developed this country solely on water transportation, then I think it is up to the taxpayers of Canada to put their hands in their pockets and give the companies a little subsidy to keep them going. They are not city drones up there; they are all working people producing raw products, and they are entitled to a little consideration.

MR. MUNDELL: From the point of view of the Commission what we are trying to get is the

information. I think we have your viewpoint very clearly. You would not have any idea of the size of the subsidy that would be involved, or anything like that, would you?

MR. NICHOLSON: I have no idea. I know nothing about the cost. I am not an economist.

MR. MUNDELL: I think you have presented a sufficiently vivid picture for the Commission, and the problems you are confronted with. I think that is the information we are entitled to expect, and I think that is all I have to say.

MR. NICHOLSON: Thank you.

THE CHAIRMAN: Thank you very much, Mr. Nicholson.

MR. NICHOLSON: Thank you very much. You have been very attentive.

MR. GERIN-LAJOIE: Mr. Neil Swainson wishes to present a brief, Mr. Commissioner.

MR. SWAINSON: Mr. Chairman and members of the Commission ---

THE CHAIRMAN: Your name is Neil ---

MR. SWAINSON: Neil Swainson. I handed in 15 copies of a little brief this morning. I should like to say at the outset, sir, that I am a private citizen, and I am speaking solely as such. I have no interest in any way in the shipping business, but, frankly, I have regarded it as a little bit of a hobby, and I am interested enough to at least want to put before you one person's views at this time. I certainly do not propose

to read this brief now. It is only five pages long, and you can peruse it at your discretion. I might make one or two observations to perhaps eliminate the necessity for further questioning later.

As you can see from the opening paragraph, I am contrary-minded to the sentiments expressed by a number of those who have preceded me in the last day and a half, and I am frankly opposed to the restriction of our coastal shipping to Canadian built vessels. I have tried to list on the following four pages the five or six reasons which came to me as I thought this over very quickly and briefly. One I list on the first page, and it is just a brief reference to the fact that I think the wage differential argument is sometimes slightly over-done, and ignores the fact that if studied alone ship building to a certain degree on this coast, and perhaps on an international basis over the North American Continent, is an uneconomic operation. The second point is on page 2, and it deals with the defence argument which I must admit to thinking as being a little over-done. I must say I can quite understand the language that is being used, and I sympathize entirely with the views of those who have preceded me, even though I do not agree with them. I frankly think that the defence argument is over-done, and that there is a solution in the national interest which does not need the restriction which has been suggested, and which

has largely been discussed in the last two days. The third point is on page 3, and perhaps the only comment I need to make is my understanding of the term "terms of trade" which is used in the second paragraph of page 3. The point I do wish to make is, as you know, since 1945, in particular, the percentagewise increase in world prices for primary products has been very much greater than in the case of manufactured goods. It seems to me that this Province can look forward to a very high standard of living -- indeed, perhaps the highest in Canada, -- even if we do not have all of the secondary manufacturing industries which, with a complete system of production, we could have.

The fourth point I should explain to you. I quite frankly am a little dubious as to the effect of restricting coastal shipping solely to Canadian built vessels on our shipyards on this coast on a year-to-year basis.

As a result, I looked up a little publication called "Harbour and Shipping" which the shipping men will be very familiar with. This publication is published in Vancouver, and in the March issue it published a list of all the vessels newly registered on the British Columbia coast each year. I think it concerned vessels registered in Vancouver and at other ports which have a registry, but it has a category listing foreign built vessels. I suspected it applied to only vessels registered in Vancouver. I did not realize that

at first, but on checking I believe that to be the case, and have said so in the brief. In any event, last year, if the Commission will notice, there were nineteen craft of all sorts built outside the country and registered in Vancouver, but their total tonnage came to only 861 tons, and as you can see they include nine yachts.

I know that taken by itself that figure does not create a fair impression at all. It does not include the Victoria registrations and Victoria is a port of registry of our British Columbia service fleet. It might be a point. That is why I say towards the bottom of page 3 that this year will tell a rather different story.

To acknowledge that fact there has been a new coastal steamer built for the C.P.R. this year, and I think the Black Ball fleet has transferred to Canadian Registry a vessel which you will hear about in Vancouver.

I did list at the bottom of the page the corresponding figures from the same publication concerning Vancouver registry only, and concerning tonnage built outside the country, it being at the comparatively high level of over 3,000 tons in 1951 and nearly 5,000 tons in 1952, and I would point out that the amount of foreign built tonnage being brought into, at least, Vancouver registry seems to be declining fairly rapidly.

At page 4 I have stated what some may feel to be an argument which goes beyond the terms of

reference of the Commission, but it seems to me that the Commission will have to consider the impact and consequence of any recommendation it makes, and I can see the aircraft industry of Canada and the electronics industry able to make exactly the same case that the shipyards can, and once the principle is stated they will pretty well demand that they get the same treatment. Some may agree that that is a wise thing to do, but I, quite frankly, do not.

The last comment has been referred to indirectly by many who have spoken previously, and it is a reference to the fact that one of our customers, the United Kingdom, purchased goods from us to the tune of $200,000,000 this year, and as a Canadian I cannot see our exports to the United Kingdom being maintained close to their present levels unless we show a greater willingness to pay back, and this is where they may well make a competitive price.

I suggest, in the last place, that we practise what we have been preaching on an international scale for the last ten years. Youmay have noticed that I have taken an excerpt from Mr. Pearson's speech made in Victoria just three or four days ago. So, Mr. Chairman and Commissioners, I would suggest that we might do a lot worse for the time being than let the level of employment in our shipyards decline gradually to what I have described as a natural economic level to see if it would not taper off and find its level at the

figure suggested by the Maritime Commission some years ago.

MR. GERIN-LAJOIE: I wonder if the Commission wishes this brief to be filed as an exhibit, or should it be considered as read and transcribed in the report as some presentations have.

THE CHAIRMAN: It has not been read completely, of course. I realize it can be read in, but I think it would be more accessible if it is marked as an exhibit because the other briefs are in a separate volume and we can turn to them by referring to the brief number, and we can turn to this by looking at Exhibit 53.

---EXHIBIT NO. 53: Brief of Mr. Neil A. Swainson, dated August 30th, 1955.

MR. GERIN-LAJOIE: Mr. Swainson, will you tell the Commission what your occupation is, and your place of residence?

MR. SWAINSON: My place of residence is Victoria, and I am a school teacher and on holiday.

MR. GERIN-LAJOIE: Can you tell the Commission whether you are connected in any way with shipping or shipbuilding, or is your presentation only made as a part of the hobby you mentioned?

MR. SWAINSON: It is made solely as the latter. I am in no way connected with the shipping industry.

MR. GERIN-LAJOIE: Now, I would like to ask you a few questions regarding matters of detail. On page 4 of your brief you refer to

the Canadian Aircraft industry. Would you not see a very important distinction there between the aircraft industry and the shipbuilding industry since, for instance, the United States orders some aircraft from Canada but does not order any ships to my knowledge?

MR. SWAINSON: I must say that I fail to see the distinction, and for this reason, that I have predicated any possibility of the aircraft industry asking for help on a decline in defence requirements. I think you will find almost exclusively that American aircraft purchases are based on the American defence programme also.

MR. GERIN-LAJOIE: The ultimate point I have in mind is that it might be justified, and I would like to have your view on this point, to reserve the coasting trade of Canada to Canadian built ships since some major nations adopt that position while that position is not adopted, let us say, for aircraft. I will put it in another way, if you wish: Do you feel it is, and would be, a wise policy for Canada to continue to not reserve its coastal trade to Canadian built ships while other major nations do so? Would it not be a unilateral policy which might be damaging to Canada while not damaging to other nations?

MR. SWAINSON: I think again, sir, that probably my little brief answers that question. My feeling is that it would not be damaging to Canada, and I would submit that while probably

the operation of locally registered vessels in the coasting trade is an extremely world-wide practice restricting coasting trade to locally built vessels is not as widespread as some would be inclined to believe. For example, I have here a little publication which you are very welcome to if you will excuse the thumbing of it. It is the Annual Review of the Chamber of Commerce published in the Old Country in February of this year. I ran through it very quickly yesterday morning, and found at least 19 cases in which ship building companies were building vessels of the coasting type -- 2500 tons and less -- for other countries, and I might just mention a few of those -- Australia, Indonesia, Sweden, New Zealand, Ceylon, Russia, Holland, the United Kingdom, Norway, Israel, Burma, Turkey, France, Ethiopia, Belgium, Chile, Italy, Finland and Brazil. Mind you, some of these could hardly build anything. The Brazilian vessel was a coastguard vessel, and the Italian purchase was a dredger from Holland, but I gather our coastal shipping people would not want a dredger contract to go outside the country. There are 19 nations, and I do not think we would be engaged in any unilateral policy which would damage us.

MR. GERIN-LAJOIE: Is it fair to say that those countries which do not restrict the coasting trade to their own ships are those nations where the cost of building ships is lower than in the countries which do restrict the coasting trade?

MR. SWAINSON: I think that is probably quite so, but not necessarily so. The United Kingdom was a classic example where numbers of coastal shipping operators are purchasing from Germany to the annoyance of certain interests in the United Kingdom, but the British Government is adamant in allowing it to take place. Sweden can build as economically as any one in Europe, but they buy from Denmark.

MR. GERIN-LAJOIE: I understand the German shipbuilding industry has just been growing up in the last few years.

MR. SWAINSON: Re-growing; it was great before the war.

MR. GERIN-LAJOIE: That is right. May I refer to page 2 of your brief at the bottom of the page, paragraph 2, subparagraph (c), where you mention:

> "That a greatly increased R.C.N. and an "expanding coastal shipping fleet are pro-"viding now, and doubtless will continue "to provide, a considerable amount of "repair and refit work."

Do you base this affirmation on certain figures? I have particularly in mind the statements of the shipyards yesterday that quite a number of ships are being repaired elsewhere, and that only emergency repairs are being carried on in Canada, and similar statements have been made in the east. Do you have any figures, or ---

MR. SWAINSON: I have no figures, sir, but I think I could almost speak for the men who spoke yesterday -- at least, I think I can -- in saying it is my recollection of what they said was that repairs effected elsewhere applied to certain types of vessel, and I doubt if our coastal vessels are going abroad to be repaired.

MR. GERIN-LAJOIE: You are quite right, sir, I think. Do you think the deepening of the St. Lawrence Seaway might have some effect on this position? The shipbuilders of the Great Lakes area and the St. Lawrence area have explained to this Commission, I believe, that the deepening of the Seaway might have very serious effects, and those ships might have to repair outside of Canada -- in Britain, or somewhere overseas. Have you considered this particular aspect?

MR. SWAINSON: I have. I, naturally, like any one else in Canada who tries to follow what is going on, became interested in the Seaway, but I think it is really a matter of conjecture, surely, to say it would have that effect, that the vessels would ply in the coastal trade in our summer, or the seven months navigational season, and then go overseas to act as coasters in the winter time, and I cannot conceive of an owner sending a ship to Ireland to repair a tail shaft and bringing it all the way back from Ireland to ply the Lakes again the next summer.

MR. GERIN-LAJOIE: Thatis the end of your

brief and your conclusion on page 5. You suggest -- and I quote:

> "If it is possible to continue to stretch "the naval building programme, and if there "is any sizeable labour turnover in Canadian "shipbuilding yards, it ought to be possible "to effect the reduction in personnel without "hardship to those involved through the "simple expedient of curtailing hiring for "the period required."

Can you explain what you have in mind here? Do I understand you correctly when I say that the shipyards should not employ the number of men required to do certain repairs very quickly, or do you mean something else?

MR. SWAINSON: No, I do not mean that. My contention is that the over-all personnel should be allowed to decline somewhat and, indeed, you may notice on the first page I quoted the figure from Mr. McLagan's speech who, according to our local papers, claimed that something like 2,000 would be the number of lay-offs in the Canadian shipbuilding industry this year. I put that statement in there for this reason, because I am very conscious of the fact that I am talking about other men's jobs, and I certainly have no desire to suggest that men be thrown out of work, but it seems to me that if, perhaps, the Dominion Government can stretch that naval programme a little further and can come up with more Dominion Government building, then

by simply curtailing hirings the staff of our ship yards might be allowed to decline as the men leave voluntarily to a level which might stabilize itself.

MR. GERIN-LAJOIE: What do you mean by "men leaving voluntarily"? Do you mean leaving only if they wish to?

MR. SWAINSON: What I am referring to is this, that in the operation of any large scale industry you have a large scale labour turnover. There are men leaving and men being taken on the staff. It might be interesting to know what the labour turnover of the shipyards on this coast is. I suggest it is fairly considerable. In the course of a year if you curtail the hirings and do no firing you can eventually effect a reduction in staff.

MR. GERIN-LAJOIE: I cannot see how you can curtail the hiring, or exactly what you have in mind. If the shipyards need some employees, I suppose they will have to hire them.

MR. SWAINSON: The shipyards' contention is that they will not need as many employees if they do not get more work than they expect they are going to get in the next few years.

MR. GERIN-LAJOIE: I thought their contention was that they had too many fluctuations -- too many high points and too many low points -- and that it was difficult to administer their business, and it was bad for their labour. Is that correct?

MR. SWAINSON: I agreed ---

MR. GERIN-LAJOIE: And they produced

figures showing that in 1949 and 1950 in the three shipyards on this coast, they had just over a thousand men, or 1500 men, and a few years later they had 2000 or 3000 men, and that that might go down, and then later go up.

MR. SWAINSON: Surely. I do not think we are debating a point here. I do not think we understand each other. My suggestion is simply based on the fact that my interpretation is that the shipyards fear that this 2000-man drop which has taken place presumably this year is going to continue into next year. That is what I am talking about. Unfortunately, some of those men are undoubtedly being laid off, so let us suppose the Dominion Government should decide that the reduction should take place without any men being laid off, or fired by cutting down on the number of men, because men are always leaving employment in any large-scale industry to some extent. Is it not possible to gradually taper off your over-all number of personnel by just not replacing them?

MR. GERIN-LAJOIE: That is all, Mr. Chairman.

MR. GERITY: Mr. Chairman, perhaps I might ask Mr. Swainson some questions? I should tell you, Mr. Swainson, that I represent the Canadian Shipbuilding Association and the Dominion Marine Association who are some Great Lakes operators. Do I understand that of your own initiative you put together an submitted this brief?

MR. SWAINSON: Yes.

MR. GERITY: As a public-spirited citizen?

MR. SWAINSON: I did it because I am interested in it.

MR. GERITY: And what subjects do you teach in school?

MR. SWAINSON: Social Studies and English.

MR. GERITY: What is embraced by the words "Social Studies"? It is rather foreign to me.

MR. SWAINSON: It means history, economics and geography.

MR. GERITY: I see. Now, sir, have you ever made any particular study of the shipping business?

MR. SWAINSON: None at all, except the fact that I have read shipping papers for a number of years.

MR. GERITY: Well, so have I, sir, but I do not suppose that makes us experts.

MR. SWAINSON: No, and I do not pretend to be one.

MR. GERITY: If I may try to sum up what you have to say, which, of course, has reference to shipyards only as far as I can see, it is your position that apart from all other matters in Canada shipyards should be exposed to foreign competition.

MR. SWAINSON: No, it is not. I quite realize that that is a very clever question. There are other industries in Canada which are essentially unprotected.

MR. GERITY: Such as?

MR. SWAINSON: Aluminum refining.

THE CHAIRMAN: Wheat might be considered one.

MR. GERITY: Well, Mr. Chairman, I think that industry is one concerned with the question: Who has the most wheat and who has the best quality?

THE CHAIRMAN: Proceed.

MR. GERITY: You think the aluminum industry is unprotected? Do you know of any other nations which are in a position to compete with Canada and the United States in the aluminum business?

MR. SWAINSON: There are others who produce aluminum. We happen to have a basic economic advantage, first, because in producing aluminum cheap electric power is needed, and we have that. The raw product is an economic proposition here. My submission boils down to the fact that I think that manufacturing of ships at Harland and Wolff in Belfast is an economic proposition.

MR. GERITY: Have you ever seen their yard in Belfast?

MR. SWAINSON: No, but I would like to.

MR. GERITY: Looking at your brief, at page 4 where you have some reference to shipyards in Germany, for instance, do you know that the German Government and the German steel industry lend very heavy sums to the shipyards to assist them in building?

MR. SWAINSON: Yes, I do, and I am not very happy about the fact. It is true also of Japan; it is true of Italy where shipbuilding is subsidized to a large extent by the United States,

I think, on an international basis. However, it is one thing they can do, and do well, and, perhaps, to a large degree we ought to leave them to it and buy their product while they buy back some of ours.

MR. GERITY: In other words, as far as you are concerned, foreign nations should buy all our products, and our ship owners and ship builders should be exposed to the winds of the world?

MR. SWAINSON: It seems to me that we are all in favour of the principle of freer multilateral trade as long as it does not affect us. If we were to practise what we preach ---

COMMISSIONER BELANGER: Would you go as far as, for instance, abolishing the duties on the importation of ships, and things like that, from a country other than the United Kingdom or the Commonwealth countries?

MR. SWAINSON: I honestly had not thought of it. My thought at the moment was just maintaining the status quo.

MR. GERITY: Would you go so far, Mr. Swainson, as to suggest, for instance, that the grain trade might be relieved of its governmental mantle and allowed to be exposed to competitive forces?

MR. SWAINSON: I am sure that three central Provinces of Canada would.

MR. GERITY: What about the western one?

MR. SWAINSON: This citizen would like to see it.

MR. GERITY: Do you think it is politically

acceptable?

MR. SWAINSON: It seems to me that that is a question for the Government to answer.

THE CHAIRMAN: Have you any questions, Mr. Wright?

MR. WRIGHT: No, I have no questions.

THE CHAIRMAN: That would appear to conclude the submissions which we ---

MR. GERITY: If I might interrupt, there are two matters I would like to speak to before the Commission moves on. The first of these is that in Ottawa Mr. Commissioner Belanger expressed the wish to hear something from our vessel chartering people in Winnipeg, and I had them there last week. I do not need an answer now, Mr. Chairman, but I would like to know whether you wish me to produce them again when you reconvene in Winnipeg.

THE CHAIRMAN: They would probably be more conveniently produced in Winnipeg -- at least, more conveniently for them -- than later. We have had the big brief in Winnipeg. We have one, and if necessary, two days, and I think that in all probability we can work them in at Winnipeg. It would be better for them.

MR. GERITY: Anything they have to say is part of my case, and I have tried to co-operate with your Commission as far as I can.

THE CHAIRMAN: Yes.

MR. GERITY: The second question which is unanswered, and which does not necessarily need

an answer at this precise point, is this: You will recall, Mr. Chairman, that in Ottawa I requested permission to call the Honourable Mr. Burchell who was the Chairman of the Merchant Shipping Committee in London in 1929. I was unable to do so in Halifax because the British Government informed the Government of this country that they regarded the proceedings as confidential. I have the exchange of letters which, if you wish, Mr. Chairman, I can file, but I would say that I would object to the Department of External Affairs offering any other information to your Commission having refused me the right to call the only person who can speak on the matter.

THE CHAIRMAN: Permission was refused by the United Kingdom authorities.

MR. GERITY: Well, Mr. Chairman, I think the United Kingdom has a powerful interest in the matters before the Commission.

THE CHAIRMAN: Well, your objection is noted. I am afraid the members of the Commission will have to seek their information from wherever they may get it. Thank you, gentlemen, we will now adjourn these hearings. Before we go, may I repeat what I have already said, that the Commission feels very grateful to the various interests who have made submissions in Victoria, and to the witnesses who have explained those submissions. We have followed them closely and will give them great consideration.

---Whereupon the hearings adjourned at Victoria on Tuesday, August 30, 1955, at 12.55 p.m., to resume at 10.00 a.m., August 31, 1955, at Vancouver, B.C.

ROYAL COMMISSION ON COASTING TRADE

Report of hearing held at Vancouver, British Columbia, commencing Wednesday, August 31, 1955, at 10:00 a.m.

PRESENT:

THE CHAIRMAN, The Honourable Mr. Justice W. F. Spence.

Mr. W. N. Wickwire, Q.C.) Commissioners
Mr. M. Belanger, C. A.)

Mr. D. W. Mundell, Q.C.) Commission Counsel
Mr. Paul Gerin-Lajoie)

Mr. H. Kemp - Economic Adviser to the Commission

---Mr. G. G. McLeod - Secretary
Mr. P. Cimon - Ass't Secretary

THE CHAIRMAN: The sittings of the Royal Commission on Coasting Trade. I believe it will be unnecessary to read the Terms of Reference, which have been already incorporated as an exhibit. I think that we should obtain a list of those who are here representing various interests at the present time. I wonder if you could arrange that, Mr. Mundell.

MR. MUNDELL: I thought, Mr. Chairman, subject to your direction that I would read off the briefs that have been presented for hearing here in the tentative order in which we thought they might be heard, and when I

read off the name of the brief perhaps whoever is here representing the particular party would identify himself so that we may get it on the record at this stage. It is proposed to start with the British Columbia Towboat Owners Association.

MR. O. H. NEW: My name is New, and I am a member of the executive of the British Columbia Towboat Owners Association, and managing director of the Coastal Towing Company.

MR. MUNDELL: The second one is the British Columbia Lumber Manufacturers Association and others.

MR. L. R. ANDREWS: My name is Andrews and I am executive vice-president of the British Columbia Lumber Manufacturers Association, the Private Manufacturers Association of British Columbia and the Consolidated Red Cedar Shingle Association.

MR. MUNDELL: Then we have the British Columbia Loggers Association, but I understand there is nobody here for them at the moment. Have you had any word from anybody, Mr. McLeod?

THE SECRETARY: No one from the British Columbia Loggers.

MR. MUNDELL: Then we have MacMillan and Bloedel .

MR. R. M. SHAW: My name is Shaw, and I am the vice-president of MacMillan and Bloedel .

MR. MUNDELL: Then the British-Yukon Ocean Services Limited.

MR. C. J. ROGERS: My name is Rogers, and I am president of the British-Yukon Ocean Services Limited.

MR. MUNDELL: The Vancouver, New Westminster and District Metal Trades Council?

MR. J. W. BRUCE: I am representing the Allied Trades in the Shipbuilding Industry.

MR. MUNDELL: The National Association of Marine Engineers of Canada Incorporated?

MR. H. B. McKIE: My name is McKie and I am the Secretary of the National Association.

MR. MUNDELL: Then we have Union Steamships Limited. I have had a word with the representative of Union Steamships this morning, He will not be able to be here today, but presumably he can be put on the record when he appears.

THE CHAIRMAN: Can you give us his name?

MR. MUNDELL: I am afraid I can not, Mr. Chairman. Then, number 9 is the Burrard Dry Dock Company Limited.

MR. CLAUDE S. THICKE: I am the executive vice-president.

MR. MUNDELL: Those are all the briefs that we have listed, or that were published, but there has been a new one this morning filed on behalf of the Mansons Landing Community Activities Committee, and that will be spoken to tomorrow.

Are there any other briefs which have not been filed?

Is there anybody else who wishes to speak?

MR. S. P. ZLOTNIK: Yes. My name is Zlotnik and I am representing the Provincial Committee of the Labour Progressive Party.

THE CHAIRMAN: Would other counsel present who wish to take part in the proceedings identify themselves?

MR. J. A. WRIGHT: I am representing the Canadian Pacific Railway Company.

MR. THICKE: Colonel C. C. Merritt, V. C. will represent us at the hearing.

MR. W. J. FISHER: I am the general manager of the Canadian Ship Owners Association.

MR. MUNDELL: That presumably concludes the list of parties.

Then subject to your direction, Mr. Chairman, we had intended to start with the British Columbia Towboat Owners Association, and I think, if it is in order, that we can proceed with that one now. It is Brief No. 57.

SUBMISSION BY BRITISH COLUMBIA TOWBOAT OWNERS' ASSOCIATION

---Mr. O. H. New appeared on behalf of the Association.

MR. NEW: Mr. Chairman, this brief has been already presented to you, and no doubt the Commission has studied it, and therefore I certainly will not read it again unless you wish.

THE CHAIRMAN: I may say now, and this is

applicable throughout the hearings, that representatives may take it as a fact that the brief has been read both by the Members of the Commission and by counsel, and there is no need to read it again into the record.

MR. NEW: Thank you, Mr. Chairman. As you will remember, our brief is quite short. It deals only with two subjects, the first one being the ownership, control and operation of Canadian-registered vessels in the Canadian coastwise trade. We have a situation on the coast here that probably is equally applicable in other parts of Canada. We are so close to our good neighbours to the south that there is a considerable amount of traffic back and forth between Canada and the United States. It seems to us that at the moment our American friends have certain privileges which we do not have, particularly in that a United States' citizen or company may own a Canadian company which owns ships, whereas a Canadian citizen does not have that privilege with respect to owning American ships in the United States. I do not want to labour this point at all, Mr. Chairman, because I know that you have the brief and I know that you have studied it, and I am sure you realize that the subject covered and dealt with in those two pages goes perhaps a great deal deeper than appears on the surface. It might be helpful perhaps to cite an instance of how that

1 particular thing would work and has worked; for
2 instance, I would like to point out that it is
3 actually so advantageous for a Canadian citizen to
4 apply for United States' citizenship so that he
5 can own an American tug in conjunction with a
6 Canadian affiliate, that certain operators in
7 British Columbia are giving consideration to doing
8 that very thing. We feel therefore that the
9 arrangements between these two countries, or in
10 fact between our country and any other, should be
11 on a reciprocal basis in this respect. In other
12 words we would take no exception to any foreign
13 country enjoying certain privileges with respect
14 to coastwise shipping in Canada so long as we as
15 Canadians and members of the Commonwealth, enjoy
16 the same privileges in their country.
17 Now the second item that we dealt with in
18 the brief was the importation into Canada of
19 floating equipment. You have probably gathered
20 already that our association is definitely of
21 the free enterprise persuasion, and we frankly
22 do not hold with excluding the importation of
23 floating equipment into Canada in its entirety.
24 We do feel that any regulations governing the
25 importation of such equipment should be established
26 by law and made definite so that we would all know
27 exactly what they consist of. That would be
28 somewhat different from the situation which has
29 existed for the past number of years where the
30 question of importation of foreign equipment was

left subject to discretion, in other words with each case standing on its own merits. The tendency there, with the best intentions in the world, has been that certain operators possibly have been able to put up a more convincing case than others, and we feel that any regulations covering this phase should be made law and not left subject to discretion.

THE CHAIRMAN: Now there you are speaking of importation from countries other than those of the British Commonwealth are you?

MR. NEW: Yes, Mr. Chairman, definitely. Actually we are thinking more about importations from the United States. The import of United States' equipment after the war helped the towboat industry here tremendously; in fact I do not quite know what we would have done without it. Quite frankly, shipbuilding costs on the Coast here have been and still are prohibitive so far as we are concerned and it would be I think almost impossible for any commercial tugboat operator here to build new equipment in this country and still be able to charge a rate structure which would be acceptable to his customers, and without that of course he could not exist. Therefore it may be said I think that the towboat industry has strengthened its position here due to the fact that it was able to strengthen its fleets by the import of equipment from the United States. Naturally we would like to get our equipment from

the Commonwealth countries but that is not always so handy with comparatively small ships. We do feel that there should be some control but we feel that that control can be properly exercised by the establishment of suitable duties on such foreign equipment being brought into Canada.

Now I think, Mr. Chairman, that covers the essential points. I would like to point out that there are probably other members of our Association who will have presented individual briefs dealing with subjects that concern them individually. Our brief is presented for the whole Association and was passed by the Association in general meeting unanimously for presentation to you. Our Association operates approximately 350 tugs, which range up to some 2,750 horse power; about 450 scows and cargo barges of various types, and 20 floating derricks. The replacement value of this equipment is in the neighbourhood of forty million dollars, and the Industry employs about 2,500 men with an annual payroll of some nine million dollars.

I think, Mr. Chairman, knowing that your time is valuable here, that I have covered the points, with any further explanation beyond that which appears in the brief, and I would like to take this opportunity to thank you for the privilege of appearing before you.

THE CHAIRMAN: Thank you.

MR. MUNDELL: I wonder if I may ask one or

two questions to clarify your submissions, as far as my understanding goes, and I have in mind particularly this passage on page 2 of Brief No. 57 where you say:

"We might point out that we are not
"in favour of increasing the rules and
"regulations concerning vessels engaged
"in coastwise trade, but we do feel
"very keenly that whereas we are restricted
"from doing business in a foreign country,
"the citizens of that country should be
"restricted in the same manner in Canada."

Now if I understand the recommendation that you put forward prior to that, you would restrict the operation of vessels in the coastwise trade to Canadian citizens or vessels owned by Canadian citizens?

MR. NEW: That is actually the way it is now, is not that right, to a very great extent?

Q. The Commonwealth?

A. Yes.

THE CHAIRMAN: The Commonwealth though, not England?

MR. NEW: The Commonwealth, I should have said, yes, that is right. We are not suggesting any exclusion or asking for any preference. In other words, we are not basically suggesting any changes, but we do feel that we should not give a special preference to the United States when we do not enjoy such preference from them locally.

In other words, it should be on a reciprocal basis.

Q. But U. S. citizens as such may not engage now in our coastal trade. United States' citizens or corporate interests may incorporate a company in Canada and that company may then engage in the coastal trade?

A. Yes.

MR. MUNDELL: Q. And you wish to restrict that?

A. We do not have the same privilege down there.

Q. That is correct, but that is your recommendation, either that that should be restricted or a reciprocal arrangement made?

A. Yes. We also feel very strongly that unless both of these points can be taken together and implemented as one unit, neither should be taken.

COMMISSIONER BELANGER: Q. Would you like to be restricted or have the same privilege in the United States?

A. We would like to have the same privilege.

Q. So you would not like to restrict Americans here?

A. Not so long as we enjoyed the same privileges there.

Q. You would like to have the same privileges over there?

A. Yes.

Q. Expansion instead of restriction?

A. Yes, that is right.

MR. MUNDELL: Q. I suppose that if it is a bad thing for them to do it, it will not make it a better thing for both of us to do it?

A. As it is now it seems to work in one direction, because I think our intention here is to confine coastwise shipping to Commonwealth ships, but by reason of the fact that a United States' citizen can own a corporation here, which in turn can own a ship, and also by reason of the fact that a Canadian citizen has not got that privilege in the States, an unfair situation exists.

THE CHAIRMAN: Q. Supposing this United States' citizen, this millionaire from Seattle, incorporates a Canadian Company and enters into the coastal trade, what ships is he going to use?

A. Well, there have been many cases in the past where American ships have been brought into Canada, as we know. We find nothing wrong with that, subject to duties and so forth.

COMMISSIONER WICKWIRE: But they have been brought in by Canadians?

MR. NEW: Yes.

THE CHAIRMAN: Q. They must have been brought in by these Americans too. That is not an imaginary situation; it has occurred?

A. Yes.

Q. If there was a stricter enforcement of, I think it is, Section 22, is it not, of the

Act prohibiting importation except under permits, and permits were not granted except in the most unusual circumstances, you would then be competing only with others who were using the same ships that you were, and it would not matter to you whether their money came from Canada or came from Greece or from the United States, would it?

A. Well, of course, that is a sound argument. It does not matter too much where their money comes from, but I think what hurts is that we do not enjoy the same privilege down there.

Q. I think that is your whole point, Mr. New. You are asking the Royal Commission on Coasting Trade of Canada to change the United States law?

A. I realize that.

Q. That is a thing we have no power to do. We may recommend a change in our own laws, but I very much doubt whether we have any right to recommend a change in the laws of another nation. To change our laws as a retaliatory measure I suggest is very much out of line with the whole of Canadian policy since Confederation. We want to get in all the money we can to develop this country. We do not mind where it comes from so long as we can get it and use it in this country. I would be in grave doubt that this Commission could recommend any such absolute reversal of Canadian policy, a policy which I suggest can be the only appropriate one in this

young and developing country.

A. Well, I think, Mr. Chairman, as we have said in the brief we are not in favour of increasing or making more severe the rules and regulations concerning vessels engaged in coastwise trade. We are not suggesting anything there, but we do feel very keenly the fact that we are restricted from doing business in a foreign country while that foreign country has no such restriction here. I am not suggesting how that particular phase could be dealt with.

Q. But the foreign country does not have the right to do business here. Some persons who happen to be citizens of some other country come into Canada and become a juristic person by the incorporation of a company, then they do business. Now the foreign country has some kind of law, with which I am not familiar, and I do not believe that I have to be, that prohibits any but U. S. citizens becoming the particular kind of juristic person who can operate a ship in the United States, and that you ask us to change. All we can do is to pass on your views to the Government so that they may make representations or have some appropriate consultation with the United States' authorities on that subject, but it is just because Canada and the United States happen to lie together and because of this unusual rule -- that is a rule that is unusual in this particular trade -- that your situation crops up. I suggest

to you that so far as the importation of American capital to operate a ship in the Canadian coasting trade is concerned essentially there is nothing different in economics between that and the fifteen to twenty million dollars of Swiss capital that is now building an apartment house in Toronto?

A. Yes, I think that is true, but if that is the case why do we find it necessary to exclude an American citizen as an individual in the way that we do? THE CHAIRMAN: Do we do that? Suppose John Smith, a citizen of the United States, wants to put a ship on Canadian register and operate in the Canadian trade, is he excluded, Mr. Mundell, do you know?

MR. MUNDELL: I think the answer to that question is that he cannot, but as a matter of fact I have not checked it for so long that I do not know. I will find out, Mr. Chairman.

THE CHAIRMAN: Q. He could do it by incorporating a Canadian company?

A. By incorporating, yes.

Q. I would not think that anyone would ever engage in such a venturesome business as the operation of ships without the intervention of a limited liability company anyway.

A. I think that is probably true. As I understand it we would be quite free to go down to the United States to engage in a sawmill business or to manufacture swim suits or anything of that kind, but not shipping. Shipping is

regarded there, and I think quite properly, as in the nature of national defence, and it is pretty closely held. The only way we can go down there and do anything of that nature is by becoming an American citizen, but I do not think we require that an American citizen should come up here and become a Canadian citizen before he owns and controls Canadian ships. I am not suggesting what the answer should be, but we do feel that it is something that could well be looked into very thoroughly.

COMMISSIONER BELANGER: Q. You feel that there is discrimination?

A. Yes.

Q. And you want to have the same privilege?

A. Yes, that is right.

MR. MUNDELL: Mr. Wright has very kindly pointed out to me that the Canada Shipping Act, Chapter 29 of the Revised Statutes of 1952, provides in Section 6 that:

"A ship shall not be deemed to be a "British ship unless owned wholly by "persons of the following description "(in this Act referred to as persons "qualified to be owners of British ships)"

And then the classes of persons are:

"Namely natural born British "subjects or persons recognized by law "throughout Her Majesty's Dominions as "having the status of natural born British "citizens (b) Persons naturalized by or

[illegible] there, and I think quite properly, as to [illegible] nature of matters at issue, and it is pretty difficult [illegible]. We only want to see so down there [illegible] anything of that nature [illegible] becoming an [illegible] citizen, but I do not think we [illegible] that American citizens should come in here and become Canadian citizens before [illegible] and [illegible] answer should be, but [illegible] I think it is something that would well be looked into very thoroughly.

CHAIRMAN: Mr. [illegible]: Yes, I think there is discrimination?

[illegible]: Yes.

[illegible]: And you want to have the same rights [illegible]

[illegible]: Yes, that is right.

[illegible]: Mr. Speaker has very kindly [illegible] that the Canada Citizenship [illegible] Chapter [illegible] Status of [illegible] [illegible] other [illegible]:

[illegible]

"in pursuance of the laws of some part of
"Her Majesty's Dominions (c) Persons
"made denizens by letters of denization,
"and (d) Bodies corporate established
"under and subject to the laws of some
"part of Her Majesty's Dominions and
"having their principal place of business
"in those Dominions."

So that it would not be possible for an American citizen to do that?

A. It seems to me that the intent of the Act is quite clear, but by reason of the reference to a body corporate it is quite possible for them to get in round by the back door and short circuit the intent of the Act.

Q. The point I was not clear about was whether that restriction should apply altogether or only if we cannot get it relieved in the United States?

A. I would say if we cannot get it relieved in the United States. We are perfectly open to free competition -- we love it -- but we like to compete on an Even-Steven basis.

THE CHAIRMAN: Q. But the American competition is not free, it is subsidized, and I suppose they object to subsidization of Canadian citizens even if they come into the United States and form a company, subsidization in an industry which they consider part of national defence. You are not interested in any subsidization; all

you want to do is to be able to get into the trade?

A. That is right.

MR. MUNDELL: Q. Then if I may come to the second point, the question of the importation of foreign equipment or United States' equipment, you say you do not want to exclude it entirely but you recommend a duty. What do you have in mind as the purpose of the duty? Is it purely revenue or it is to cut down on the number of importations, or is it to protect Canadian shipbuilders? I just wondered what you had in mind as to the purpose of the duty?

A. Our thinking there, Mr. Chairman, was to go at least part way towards protecting our local shipyards and shipbuilding industry. That certainly is important, and also to keep away from the risk of dumping surplus goods up here to the detriment of those yards. That is the main thing.

Q. Fundamentally it is protection then?

A. Fundamentally it is protection, and we are not prepared to say what the amount of that duty would be.

Q. But you take the position that it should not be so high as to totally exclude; is that right?

A. Yes.

Q. But just such a quantum of duty as would make for a little competition?

A. That is right.

Q. But not make it too keen; is that right?

A. Yes.

COMMISSIONER WICKWIRE: Do you not have a 25 per cent duty now?

A. There is a 25 per cent duty now, yes.

THE CHAIRMAN: Q. Does your submission imply that the 25 per cent duty is not high enough?

A. We do not necessarily say it is not high enough or it is too high, but we do say mainly that we should be free to import floating equipment from the United States if we so wish, and if we are prepared to pay the duty on it.

Q. Yes, but you said a few moments ago you were suggesting that the control of importation should be by suitable duties. Now there is at present a 25 per cent duty, but I think it is your view that there has not been a control of the importation except by the exercise of a discretionary right to exclude. Would it not therefore necessarily imply that if you are going to cut out the discretion and rely on duty, your duty will have to be higher than 25 per cent?

A. That is quite possible.

Q. I think it is inevitable in your case?

A. I thing it probably would be.

COMMISSIONER BELANGER: Q. You would prefer a higher duty but no restriction by permits or licensing; is that right?

A. Yes, definitely.

MR. MUNDELL: Q. Just to follow up the question we were dealing with a moment ago is it

correct that you envisage the control by the duty as a protection but not an exclusion?

A. That is right.

Q. It will have to be a very carefully calculated duty?

A. Yes. I think that the same principle applies to a lot of other goods that we might regularly buy, and there is no reason why it should not apply to ships and floating equipment so far as I can see.

COMMISSIONER WICKWIRE: Q. You ask for a higher duty, Mr. New, to protect, as I understand you, or to give some protection to the shipbuilding industry?

A. Yes.

Q. In doing so would that not necessarily raise the cost to your owners or the people you represent?

A. You mean in local yards?

Q. No, to the people who are going to purchase foreign equipment?

A. Yes, it would raise the cost, certainly.

Q. But your people are glad to do that in order to give some succour to the shipyards?

A. Yes, that is right.

MR. MUNDELL: Q. Now, you tie your two recommendations together and you say if they cannot both be adopted you are definitely opposed to the importation of any secondhand equipment into Canada. I am not quite sure that I follow why

you say you feel the two of them must stand or fall together?

A. I think I can best explain that by reading one of the paragraphs out of the Brief:

"The reasons for this are obvious "if point 'one' is not accepted and put "into effect with point 'two'; a United "States shipping company would at any "time be in a position to import their "secondhand equipment into Canada and "actively compete with established "Canadian companies."

Q. I wonder if you could just enlarge on that?

A. Well, if it was found impossible to do anything with out first recommendation, in other words if it is still possible---

Q. For a foreign national to own a Canadian shipping company?

A. Yes -- then, if we went ahead with point number two that company would be quite free to bring their equipment in from the States.

Q. Upon payment of the duty?

A. Upon payment of the duty, and might very well swamp us here to the detriment of our shipyards and to the detriment of our existing equipment.

THE CHAIRMAN: Q. Why would it swamp it?

A. Well, there is a terrific backlog of floating equipment down there, and it would

be quite possible that some of the owners of that equipment could and undoubtedly would use their Canadian incorporations to bring that floating equipment in if we implemented point number two without first implementing point number one; rather the two must go together.

MR. MUNDELL: Q. They would have to pay the duty though, would they not?

A. They would have to pay the duty granted, but that might not be sufficient in that particular case.

Q. Why would it not be sufficient in that case more than in any other case?

A. I could give one instance. Supposing an American owner had a ship which he owned -- he had bought it, paid for it and maybe written it off -- and he had an opportunity to use it up here himself. He has not got to bother particularly about the capital cost; he would pay his duty only. He already owns the ship, whereas we as Canadian owners would have to buy the ship in addition.

Q. In other words he had made his capital investment in two stages really?

A. Yes.

MR. MUNDELL: That is all I had to ask specifically on the Brief, and I was going to ask some rather general questions now.

COMMISSIONER WICKWIRE: I am wondering if Mr. New would care to suggest what in his opinion the amount of the duty should be.

A. Well, Mr. Chairman, I feel quite honestly that I am not competent to answer that question with any degree of accuracy. I am not familiar with the subject, and therefore I would only be guessing, but it would seem to me that as a general rule around 25 to 30 per cent duty is probably at least a sensible figure to talk about.

Q. But we have 25 per cent presently?

A. Yes, we have that now, but of course we have not the freedom to bring ships in. If we can bring them in, yes, we pay the duty.

THE CHAIRMAN: Q. Now, Mr. New, you say your real purpose in your submission is to get the same rights in the United States that United States' citizens now possess by incorporation in Canada. Suppose you succeed and get those rights, then the United States' citizens will have the same rights as you, and as they now have, to come by way of Canadian incorporation, into the Canadian trade. They can then import their vessels under your ground two recommendation at a set rate of duty, and without any discretionary right to prohibit them. There is this tremendous backlog, I think your words were, of floating equipment in the United States. Why then if you had your two recommendations carried out would not they come in and swamp you in exactly the same fashion?

A. No, Mr. Chairman, we do not feel they would, because we would then be in a position to do exactly the same thing in the opposite

direction.

Q. But is not that a sort of David and Goliath porposition?

A. I think probably all commerce is a David and Goliath proposition. We do not object to that. So long as we can fight on the same ground, there is no objection.

Q. But can you fight on the same ground, because you say there is a tremendous backlog of floating equipment in the United States?

A. Yes, that is right, but there is another advantage that lies with us, just as much as with our American friends in the other direction, and that is the one I mentioned a moment ago, that a Canadian ship owner already has some Canadian equipment, and some of our local companies would like very much to have a base on Puget Sound where they could operate their equipment in both directions. Therefore I do not think we would worry too much about that aspect of it. But I think also coupled with that we do have to go back to the thought expressed in the Canada Shipping Act, which we heard a little while ago, and that is that it seems to us quite obvious that the intent of that Act is to a great extent nullified by that one clause that refers to bodies corporate. In other words, I am not suggesting that we should go to the United States and say, "Well, look open your doors; we want to come in and compete with you". I do not think that would be practicable,

but we would find no fault with it if it was; we would like that. As an alternative we feel that we should enjoy the protection, to use a rather ugly name, that it was intended to give in the Canada Shipping Act as it is drawn.

MR. MUNDELL: Q. On that point your Association has given a considerable amount of study to this question. Have you been able to ascertain what was the principle, or is the principle, behind that protection in the Canada Shipping Act?

A. I personally have not.

Q. In the Canada Shipping Act I believe the origin of registration was the navigation laws which were definitely protective, and I was wondering if it was an historical survival or whether it serves a defence purpose?

A. I have not made a study of that phase of it, though it would appear as though defence is at least a part of it.

Q. It might be commercial reasons?

A. It might be commercial or it might be defence, yes.

Q. Now, there were one or two general questions that I thought I might ask. I was wondering if you could give the Commissioners more or less an outline or a sketch of the operations of the tugs and scows in the coastwise trade in British Columbia? Could you outline the way in which the operations are carried on?

A. I think so, possibly, yes, at least

in a general way. As you know, Mr. Chairman, if you follow all around the inlets along the shoreline, we have some 10,000 miles, I believe it is, of shoreline in British Columbia. It is a coast which lends itself particularly to tug and barge transportation. We move heavy bulky cargoes, pulp, paper, chips, ores, heavy building materials, construction equipment of all kinds, and we move them long distances. There is a lot of that equipment used in the North, in the Arctic, and on our own coast. We also have a large backlog of work in connection with the timber industry, movement of flat booms, Davis rafts, log barges and all types of wood products. As a matter of fact, dealing with timber, when the tree first goes into the water it is handled by a tug until it gets to the mill. After it goes through the mill in many cases it is again handled by tug and barge to be loaded on the ship for export. The chips and waste products are loaded on to barges and taken, perhaps, to pulp mills for fuel purposes. The paper and paper products are also handled by barge and tug in big quantitits, which reduces the cost and so on. Therefore our operations run coastwise particularly all the way between Alaska and now considerably north of the Puget Sound and Queen Charlotte Islands and so on. There has been a certain amount of deep sea towing, We have not gone too far with that here yet, at least not to the same degree as some of our friends on the other side of the Atlantic,

or probably on the Atlantic Coast of Canada, but some of us do engage in a certain amount of deep sea work also. However, the bulk of our work is coastwise in the handling of all the raw products and bulky products which British Columbia produces and to a certain extent the finished products too.

COMMISSIONER WICKWIRE: Q. What deep sea work would you be doing with tugs and barges?

A. For instance I can think of one tow that was made by Island Towing a few years ago. It involved -- and this is rather interesting -- taking, I forget if it was four or six American tugboats from Puget Sound to Brazil. That was quite a tow. There have been one or two other similar jobs of that type, and then of course there is salvage work which calls for deep sea towing at times.

THE CHAIRMAN: Q. With reference to your remarks about the Arctic, is it possible to tow with scows in the Arctic? Is not there always a danger of ice fields?

A. Yes, there is.

Q. Would not ice fields crack up a scow much more easily than a steel ship?

A. I am not sure, quite frankly, how far we have gone in towing bulk cargoes by barge up the coast and into the Arctic by that route. I know we have gone quite a way and our American friends have also gone a long way. On the MacKenzie River of course, and the Arctic coast

[illegible]

[illegible]

[illegible]

up above, tugs and barges are used for that service almost exclusively.

Q. They have developed a particular type of craft for that purpose?

A. Yes, a combination type for shallow water, and at the same time a ship that is quite able to stand a bit ofweather and handle a certain amount of ice. As a matter of fact the different types of towing do call for specialized equipment, and we have plenty of different types here. We have some little tugs working on the upper rivers that have speeds up to 16 and 18 knots, shallow draught affairs, and then we have the big horses that go outside, and which probably draw 16 or 18 feet and would be very highly powered, not so fast, but capable of going anywhere. We have ships here that can go anywhere in the world, right from big ones down to little puddle jumpers.

Q. Would it involve any modification of the type of construction if they were to go deep sea rather than coastwise?

A. Basically I would not think a great deal; a certain amount of modification perhaps here and there, but not much.

MR. MUNDELL: Q. Would you be in a position -- I think that this is a question I should have asked yesterday, Mr. Chairman, and possibly I will get an opportunity later -- to give the average cost of operation of say a tug and tow per day -- let us say a middle sized one?

A. Well, there is quite a variation there.

Q. I will tell you the reason for our question. We have been given figures of the cost of operation of ships per day and I was wondering if there is a comparable figure for tugs and tows?

A. Comparable, yes, but I think you would find with regard to tugs that the power plant used in tugs is comparable with the power plant used in quite large ships although the tug itself is small, and therefore the cost of machinery in a tug is very high and the fuel costs are relatively high as against the size of the ship and as against the size of the crew. Taking for instance let us say a 1,000 horse power tug the daily rate, I do not remember just off hand, but it would be in the vicinity of probably $700 a day -- somewhere in there.

Q. That is the daily rate?

A. Yes, that is for 24 hours.

Q. What about a barge or scow?

COMMISSIONER WICKWIRE: Q. That is overall?

A. Yes, overall. In other words, a time charter. So far as barges are concerned, there is a terrific variation there. You start with a 30 by 90 wooden scow at perhaps say $18 a day, just to pick a close figure, and you can go from that right up to a 2,000 ton steel barge or perhaps a log barge that costs over half a million dollars to build. I do not know quite frankly if any daily rate has been charged for that type of equipment, the last I mentioned, becase I do not know if that

equipment has ever been chartered out in that way, but you can imagine yourself that a barge costing about $600,000 is going to carry quite a daily rate. It has to.

MR. MUNDELL: Q. I was just wondering, for the information of the Commission, whether you have this information?

A. Not in detail but we could get it. I have not got it with me. I do not like to use horseback figures, and I have not it in my pocket.

MR. MUNDELL: I wonder, Mr. Chairman, if it would be fair to ask that we should be given such information?

THE CHAIRMAN: I think it would be very helpful.

A. We would be glad to submit that to you.

MR. MUNDELL: Possibly we could discuss the headings after the hearing?

A. Yes.

MR. MUNDELL: I think that covers everything I have to ask.

COMMISSIONER WICKWIRE: Q. Mr. New, you mentioned, I think, that several of your members were seriously considering becoming United States' citizens in order to acquire the privileges of which you have been speaking. Have any actually done so?

A. I do not know whether they have or not. I think perhaps I should qualify the word "several". I believe I used it, By "several" I

meant more than one; it could be only two. Whether they have actually done that I do not know but it has been discussed.

Q. How many United States' companies have been formed in Canada, or bodies corporate have come into existence in Canada, backed by your American friends?

A. In the towing business?

Q. Yes.

A. There again Mr. Chairman, I have not done any research on that particular subject, but I know of one.

Q. You know of one?

A. Yes, and I believe there are more.

Q. Is it an extensive company?

A. Very extensive, yes.

COMMISSIONER WICKWIRE: Thank you.

THE CHAIRMAN: Mr. Wright?

MR. GERIN-LAJOIE: Mr. Chairman, with your permission I should like to ask Mr. New a few additional questions which I feel might be of assistance to the Commission.

THE CHAIRMAN: Very well.

MR. GERIN-LAJOIE: Mr. New, could you tell the Commission whether the operators who are members of your Association include all the operators of towboats scows and barges in British Columbia?

A. Virtually all. There might be the odd small operator, the individual owner, but they

would be very much in the minority, and that is an understatement. Our Association definitely includes in its membership all of the major operators and virtually all of the minor ones, even to individual ship owners.

Q. At page 3 of your brief you mention the number of tugs, scows, barges and derricks operated by your members. Could you mention what additional numbers of tugs and scows and barges and so forth should be added to cover the whole numbers of that equipment operating in British Columbia in the coasting trade?

A. You are thinking of the replacements or increases that we look for in the next year or two?

Q. No, I mean in addition to the 350 tugs, 450 scows and barges which are owned by the members of your Association?

A. That is right.

Q. How many would there be operating in the coasting trade at present?

A. In addition to that?

Q. In addition to these, yes?

A. I would not say there would be more than perhaps a dozen or fifteen small tugs at the moment, and they would be small 40 or 50 foot jobs at the most, negligible, really.

Q. Could you tell the Commission what goods or resources your members transport mainly? I understand that lumber is an important item in

your company's business?

A. Yes.

Q. Are there other goods?

A. Lumber and lumber products, iron ore and so forth, gravel, building materials, rock from the quarries, limestone and cement from the cement plants, all types of building materials like that, heavy machinery and building equipment of all kinds -- just about everything that floats, because our coastline here to a great extent is shut off from access by road or by railroad and the only way these products can be taken in or out as the case may be is by something that floats.

Q. What percentage of the whole tonnage would be lumber for instance? Would it be a very large proportion?

A. Yes, it would be. I should think it would be, between lumber and lumber products, in excess of 50 per cent.

Q. Now, could you tell the Commission whether you transport goods mainly one way or if your barges and scows are full almost all the time both ways?

A. There are some variations there but in a general way they are loaded in both directions, at least to some extent. For instance, we might have a scow taking paper from Powell River, and probably he would take up a small load of general cargo, perhaps for the use of the client. It would not be a full load but he

[illegible]

[illegible] and [illegible] [illegible]

[illegible] [illegible] [illegible]

[illegible] cement [illegible]

[illegible] all types of building materials [illegible]

[illegible] machinery and building equipment [illegible]

[illegible] about [illegible] nothing [illegible] floats, [illegible]

[illegible] [illegible] [illegible] [illegible]

[illegible] [illegible] [illegible] and the coal [illegible]

[illegible] concrete [illegible] [illegible] in or out as [illegible]

may be [illegible] [illegible] [illegible] floats.

[illegible] that [illegible] page of the whole [illegible]

would be lumber for [illegible]. [illegible] it [illegible]

very [illegible] [illegible] [illegible].

[illegible] [illegible] [illegible] [illegible] be. [illegible] should [illegible]

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in [illegible] [illegible] [illegible] [illegible].

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whether [illegible] [illegible] [illegible] [illegible] [illegible] or [illegible]

your [illegible] [illegible] [illegible] are [illegible] will almost all the time

[illegible] [illegible].

[illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

but [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] in both

[illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]. [illegible] for instance,

[illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

[illegible] and [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

[illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

[illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible] [illegible]

would bring a full load of products back.

Q. Can you tell whether a proportion of your work is done in international trade between Canada and the United States, on the coast, and what proportion it is?

A. With your permission, Mr. Chairman, I would like to obtain that information and submit it to you along with the rates you have requested.

Q. That will be quite all right. Now, could you give the Commission what are the relative advantages of scows and barges, and I might say rafts also? I understand that they are not equipment like barges and scows, but you use them also. What are the relative advantages of these three means of water transportation?

A. Well, with respect to barges, a barge capable of carrying 1,000 tons or 2,000 tons, or whatever it may be, of course does not carry any crew. The ship that handles it does not carry as large a crew as a freighter would carry, in order to carry the same amount of stuff. Generally speaking it can be worked in closer quarters, it can go into smaller bays for loading at outside points, and a barge can be taken to a point and left there for unloading while the tug returns to pick up another load, so that barge transport provides for better utilization of the expensive equipment which is of course the tug.

COMMISSIONER WICKWIRE: Flexibility?

A. Flexibility, yes.

MR. GERIN-LAJOIE: Q. More than freighters, you mean?

A. Where they can be used, yes. Mind you, they cannot be used everywhere.

THE CHAIRMAN: Q. It is a sort of marine tractor-trailer proposition?

A. That is it exactly.

MR. GERIN-LAJOIE: What would be the advantages of scows? Would this apply also to scows?

A. Yes, it would.

Q. But what would determine the use of a scow instead of a barge or vice-versa?

A. A scow generally speaking is smaller, and it is used where you do not have as big a load to take, or where you have closer quarters in which to manoeuvre -- a small type of trailer.

Q. What would determine the use of rafts or scows for the transportation of lumber?

A. You are referring there to the log barge perhaps?

Q. That is right.

A. The log barge is a comparatively new development and it is a very successful one. It is specially designed. It carries its load of logs on a flat deck and it can unload them by flooding one compartment and capsizing -- self-unloading. The advantages of that over a Davis raft is that the logs get to market

quickly instead of being held up by weather for instance in the wintertime in isolated places, and suffering loss from teredo damage and things like that. It has many advantages of that type, which are obvious. The only disadvantage is the cost of the barge, which is a high capital investment.

Q. Do you also use scows in the transportation of logs?

A. Not logs, no. Logs are a very heavy cargo and a wooden scow would not carry a payload.

Q. Now, could you tell the Commission what changes are taking place in the type of vessels, or I should say means of water transportation you use at present? You mentioned the new type of barge?

A. Yes.

Q. The Commission has seen under construction a number of steel scows. Could you tell the Commission if there are any changes being carried on at present in the types of water transportation means used?

A. Well no, Mr. Chairman, I do not know of anything else particularly radical, at least at this time. Personally I regard the self-unloading log barge as the high point in the development of barge transport and I do not know of anything comparable to that coming along right at the moment. The tendency is towards bigger barges and steel barges rather than wood. Steel lends itself to that construction in the heavier

units.

Q. Having in mind these changes happening in the means of water transportation do you consider that the members of your Association would still contemplate at present and in the future buying old vessels in the United States, secondhand vessels?

A. On occasion, I think so, yes -- probably not to any great degree, but to some extent. Special equipment, perhaps. I will tell you where you do run into some types of special equipment and that is around certain logging operations. I am thinking of the landing barge type of thing which is very useful for moving small pieces of equipment and machinery in isolated places where there is no proper dock or landing facility at all, and there are things like that which we do like to get at times from the States. We do not have them here.

Q. When you say you do not have them here do you mean you do not have them secondhand to buy?

A. That is right.

Q. But you could have them built?

A. That is right. We do not have them secondhand, but we can build anything here of course.

COMMISSIONER WICKWIRE: Q. Are you referring to vessels like a landing ship (tank)?

A. That sort of stuff, yes.

MR. GERIN-LAJOIE: Q. Now, do you have any

idea of how it would affect your companies if the Canadian Parliament decided to reserve the coasting trade of Canada including British Columbia to Canadian-built vessels in terms of dollars and cents?

A. Well, we would be opposed to that.

Q. Do you have any idea of how it would affect your members in dollars and cents or, let us say, if you like I can put it in this way, to what extent would it raise the cost of transportation?

THE CHAIRMAN: In order to understand what I think we intend by that question, assume that all vessels now operating in the Canadian coasting trade would be permitted to remain but that that restriction would apply at some fixed future date. Do you follow? In other words, these log barges which are all imported would not be excluded, nor any of the other equipment, any of the tugs, but from a certain date on, if any added equipment had to be of Canadian manufacture. Is not that what you mean?

MR. GERIN-LAJOIE: That is it, Mr. Chairman.

A. You mean you would exclude equipment built in the Commonwealth? Is that the suggestion?

THE CHAIRMAN: That is the proposition, certainly.

A. It would certainly be a very bad business from our point of view, because it would mean, to put it brutally, that we would be completely at the mercy of Canadian shipbuilders,

and that, we do not think, would be good business, with all due respect to the Canadian shipyards. It is not our purpose, I think, to cut out competition to that extent; we are not asking for it. In our operations we are already in the position where our shipbuilding costs are so terrifically high that we just simply cannot build ships; it is completely out of the question.

COMMISSIONER BELANGER: Q. But you do not buy any from the U. K.?

A. On occasion we might.

THE CHAIRMAN: Q. What do you mean by that, have you done so?

A. We have not done up to now. I believe recently there were some ships that were brought in here for conversion to barges, but not to operate as ships. We have built some tugs locally. There was a very fine tugboat built in Victoria not too long ago, but the price of that tug was probably, well, let us say, very considerably higher than it would have been if it had been built almost anywhere else in the world except the United States. Certainly no ordinary operator could have afforded to build that tug.

MR. GERIN-LAJOIE: Q. Mr. New, perhaps I should ask you first what percentage of the cost of transportation from one point to another would account for the depreciation or the amortization of the cost of the ship -- and when I say ship, I mean barge?

A. Could you give me that again?

Q. What percentage of the cost of transportation from one place to another?

A. Well, I am afraid to answer that, I would have to get back to sort of rule-of-thumb, and it is purely my own. I cannot give you this as coming from the Association. However, I think it is close. I believe that to make a sound business operation with a tug, that a tug should turn over its cost each year in gross earnings. While the Government allows 15 percent depreciation on tugs on a decreasing balance, that is a figure that is not easy to reach from a practical business point of view with the rates as they are. 10 per cent I think would be normal.

Q. Do you say that in gross revenue the tug should bring you the whole value?

A. Its own value in gross. Out of that you have to pay all your operating costs, wages, repairs and all the trimmings. Now, that is very rough, but it is surprising how closely it works out in practice.

Q. Now, I wonder if you would be able to answer the question in the other way I put it. If you were to charge $1,000 for the trip what percentage of that amount would go for the depreciation of your equipment?

A. The Government would allow us, using my rule-of-thumb, 15 per cent. Taking the situation that exists today we probably would

write off about 7, 8 or maybe 10 per cent.

THE CHAIRMAN: I did not hear the answer?

A. 7 to 10 per cent, I would think.

MR. GERIN-LAJOIE: Q. Do you have a rough idea -- and I understand it would be only a rough idea -- of how much in percentage more a barge or a scow built in British Columbia shipyards would cost compared to one that you might buy secondhand in the United States? Your company has bought a number of them I suppose in the United States?

A. No, we have not, actually, and there again my rule-of-thumb, which is a dangerous thing of course at any time, goes right out the window when you are talking about this kind of equipment, The difference between that type of barge there and here?

Q. Yes, roughly speaking.

A. I believe probably it would be cheaper to build it in the United States, but on the average I believe that the barge which was produced up here would be a better barge. I think it works that way. I believe our requirements up here -- and I am speaking of steamship inspection and everything else -- are more stringent than those used on the other side of the line, and we are pretty proud of the equipment we build here.

Q. I quite understand that, but some members of your Association have bought in the United States a number of scows and barges?

A. Secondhand, not new of course.

Q. Yes. What would be the difference in price roughly speaking between those secondhand ones bought in the United States and new ones bought and built in Canada?

A. I would be guessing, and that is dangerous, but I would think that after dutyhas been paid and everything else it would probably be some where around maybe a third up to now. It may be in the future it would not be as favourable as that, because up to now there has been war surplus equipment down there for sale at very low prices. That situation probably does not exist to the same degree today. The gap, I would imagine, is narrowing.

THE CHAIRMAN: Q. Is that a barge or a tug?

A. A barge.

MR. GERIN-LAJOIE: Q. A barge or scow?

A. Yes.

THE CHAIRMAN: Q. And it would be bought to be used in its present condition in the Canadian coasting trade?

A. Generally they need modification when they get here.

Q. Then, I think we would have to figure the cost of that modification?

A. Yes, we would.

MR. GERIN-LAJOIE: Q. You have said you have included cost of duty. Do you also include

the cost of conversion?

A. Keeping the figure between a third and a half, yes.

Q. Now, what about tugs? The figures you have mentioned apply to scows and barges, you said, if I understood you rightly. Would the same figures apply to tugs?

A. No, I would not say so. As a matter of fact the age of our fleet up here is getting along, and the tendency has been to rebuild and repair and maintain ships rather than to scrap them and replace them with new ones, so there have not been any new tugs as such that I know of bought and brought in here for goodness knows how long. There have been tugs, but not new ones.

Q. Secondhand ones, like the barges and scows that your members have bought in the States?

A. But we were talking about shipbuilding. Any new ships that are here have been built here.

Q. I realize that when you members buy in Canada they buy new material, and when they buy in the United States they buy secondhand?

A. Yes.

Q. Have there been a number of second-hand tugs bought in the United States for a number of years past?

A. Yes, there have been some, but the saving there I do not think would be as great as in the case of the barges, because the cost of bringing an American tug up to the standard

required to pass Canadian inspection is pretty staggering. As often as not it exceeds the purchase price of the ship, so I do not think there has been too much in the way of bargains in so far as tugs are concerned.

Q. Now, I believe that you mentioned that the members of your Association do not have to face any competition, or hardly any competition from truck and rail transportation. Is that right?

A. Yes, that is right.

Q. What would be the objection, just from a sound business point of view, on the part of your members to raising the cost of transportation to meet the higher cost of capital investment?

A. Well, we are very anxious to keep our costs down. We have terrific pressure brought on to us every day to reduce our rates. We are told they are too high now, and yet actually we are just barely getting by and anything that tends to add to our costs is something to which we must of necessity give a very hard look and probably oppose it.

Q. I quite realize that, but if you do not have any competition from other means of transportation I suppose the groups or persons who at present use your companies would have to use them just the same if the rates were higher?

A. Frankly, we are looking past that point. That of course may be true but we have

to remember that we are handling goods which must be sold on the world markets and the selling price of those goods must remain competitive. If our costs and our charging out rates get out of hand we are just doing our part to make it more difficult for the lumbermen and so on to sell on the world markets, and we feel very conscious of that, believe me.

Q. Can you tell the Commission to what extent in percentage your cost of transportation has gone up say during the past five years?

A. Well, that is a very difficult question to answer. Taking the various items you might say that fuel costs probably have not varied too much in that period, but wage costs have gone up terrifically.

Q. I mean the cost charged to your customers?

THE CHAIRMAN: The rates.

MR. GERIN-LAJOIE: The rates, I am sorry.

A. There has been no change, I think, right now, since 1951. As of right now some companies at least have found it absolutely imperative to increase their rates. I know my own company is one; it just had to be, but that is the first since 1951.

Q. Had there been many changes between 1945 let us say and 1951?

A. Yes. I would say roughly that our towing charges have increased, let us say since

1939 probably about three times. They are probably three times what they were then.

Q. They have tripled, roughly speaking?

A. Yes, but during that same period our wage costs have gone up five times, or possibly six times in some cases, and fuel costs have about doubled or tripled, and so it goes on.

Q. Now, I have a last question: If your members are turning more and more to steel scows and to the new types of barges for logs, do you think that there is a possibility that your members would not have to buy any more equipment in the United States?

A. I do. I think actually the amount of equipment that would be bought by our members in the United States would be very small. In fact I do not think there would be very much, but we do feel that we should not be excluded from it.

THE CHAIRMAN: It is the policeman argument again?

A. Well, it may be a policeman argument, but I think it goes deeper than that.

Q. Well, potential competition is a term that has been used. You want always the availability of your right to go into the other market, and you think that will have a salutory effect on the prices quoted to you by the Canadian shipbuilders?

A. Yes, I feel in a general way that that is right.

MR. GERIN-LAJOIE: Q. But still you do not believe that it would affect your members very much in dollars and cents. Is it more as a matter of principle that you wish to have the matter stand as it is?

A. No, not necessarily. The principles are either there or they are not. You can say it is a matter of principle, certainly principle is involved, but it is also just common business sense, and we certainly feel that we would be hurt if we were excluded from the privilege of buying in that market if we saw fit. After all, we can buy anything else we want down there so long as we pay the duty on it.

MR. WRIGHT: Q. Perhaps I might just trouble you for a few moments, Mr. New. I expect there is a certain amount of competition between the individual members of your Association for business?

A. Yes, there is.

Q. Which has an effect upon the rates which are charged for the services performed by your members?

A. That is right.

Q. This competition, I expect you would say, has a tendency to keep the level of the rates close to the cost of performing the services?

A. Yes, that is true, definitely.

Q. In your Brief, in the last paragraph you mention that the members of your Association

have 450 scows and barges. Now how many of those would be scows and how many would be barges?

A. I could not give you that figure out of my head but I can get that information for you if you like and submit it with the other, but I would think again using rough figures that possibly maybe 10 per cent would be steel barges.

Q. 10 per cent would be steel barges?

A. Yes.

Q. And the rest would be scows?

A. Scows and barges of various types, some of them possibly steel. I was thinking more of steel barges. There have been a number of steel barges built here in the last little while and there are several on order in local shipyards now.

Q. The steel barges are generally of a larger size than the wooden scows?

A. Yes.

Q. Is the distinction between a scow and a barge generally one of size, or is it construction?

A. Taking the term as it is used here -- I think this is correct -- it is mostly one of size, although basically I think a barge varies from a scow in that a scow is generally a flat square construction and a barge maybe sort of rounded. Actually we speak of barges here which are in fact of scow construction, but they are big.

Q. In the First Narrows there is a dredger working at the present time emptying earth into what I would call a scow, which has a deep hold. Is that not generally what is termed a scow on this Coast?

A. Yes, that is termed a scow. That is a dump scow really.

Q. But a scow can also be a vessel with a flat deck?

A. Yes, that is right.

Q. What percentage of these scows and barges would be above 500 gross tons?

A. That percentage is increasing quite fast. The tendency is to bigger barges, and I would guess probably 40 per cent, I would think.

Q. Of the number of units?

A. I would think so. Quite frankly, Mr. Chairman, I am being asked a lot of questions here and I am answering them, and I think I am reasonably close, but I am subject to correction on some of them.

Q. Well, I do not want to be unfair or to try to get you to answer something as to which you have not knowledge.

A. You see, the old 30 by 90 scow used to be a sort of standard here up to ten or fifteen years ago, and that was regarded as a medium to large one, but now it is regarded as small. A scow of that type will carry about 450 tons. The tendency now is to much bigger

ones, but just what the percentage would be I am not too sure.

Q. We heard yesterday from the Island Towing and Barge Company -- I take it they are one of your member companies?

A. Yes, they are.

Q. Is it true, Mr. New, that the tug and barge business has expanded greatly on this Coast during the past ten years?

A. Yes, it has, very much. It has expanded terrifically.

Q. Has your Association any figures on tonnages which your members have carried?

A. They would be available; we could get them.

Q. You do keep figures of that nature?

A. Oh yes.

Q. But you could not off hand tell the Commission what those figures are?

A. No, I would prefer not to attempt that. They would be pretty astronomical, but we can get them for you. That is something else we can get and submit with the other rates and items.

MR. WRIGHT: Mr. Chairman, I would rather like to have those figures before the Commission if they are available.

THE CHAIRMAN: I was wondering whether I could quote a figure from the National Harbours' pamphlet, which Mr. New might care to comment on.

No, it is not divided. It is twelve million tons annually, but it is not divided between coasting and international. Yes, if you could get that I think it would be of considerable value in showing roughly the size of the trade. Of course, as we have gone aboutthe Province we have seen it very considerably; you can hardly look out without seeing a tug and a couple of barges, anyplace you look?

A. That is so.

MR. WRIGHT: What I was interested in was in showing the extent to which this business has grown.

MR. CHAIRMAN: The total annual tonnages from 1945 to 1955 would be a good thing, I think.

MR. WRIGHT: Yes, I think that might be helpful.

Q. Now, I think you said, Mr. New, that the business of your members is mainly the carriage of bulk goods, and you mentioned lumber, I think, as being approximately 50 per cent of the business?

A. I would think so.

Q. And then you would have chips, or sand, and gravel, cement and so on. Actually I suppose that your members are prepared to carry anything which is offered to them and which can be carried on the equipment which they have?

A. Yes, that is right, and that covers pretty well everything.

Q. And that would extend to general

merchandise if it were offered?

A. Yes, definitely.

THE CHAIRMAN: By way of return loads, is it not?

A. Yes, as a matter of fact there is a general merchandise service operating. As a matter of fact, probably more than one.

MR. WRIGHT: Q. Are they members of your Association?

A. Yes, I believe so, pretty sure.

Q. Beg pardon?

A. I am pretty sure.

Q. You are not absolutely sure?

A. I think I can find out. Mr. Stankey is here, he will tell me, I think.

MR. WALLACE: They are not members of the B. C. Association. They are members of the Merchants Exchange so indirectly they are members of the Association.

MR. NEW: The Merchants Exchange is the parent association.

Q. They are not members of the B. C. Association?

MR. NEW: They may conceivably be coastal-wise operators for all I know.

Q. Your members, I am speaking only of your members, who operate these scows and barges do carry, as I said, everything.

A. That is right.

Q. It might include general merchandise?

A. Yes.

Q. And how are the charges fixed for the carriage of these goods by your members?

A. Generally speaking on a contract basis because every job has different characteristics.

Q. Do your members publish any tariff of rates?

A. We did publish a tariff or rates during the war at the request of the Government. There has not been any rate tariff published since 1951.

Q. All the rates made now are individual rates?

A. That is right.

Q. We heard yesterday from Mr. Prentice of the Island Tug and Barge, he has one regular service for the carriage of chips. Do your members generally have a regularly scheduled service or do they operate solely as the business offers?

A. Well, the two go hand in hand to some extent because the production is producing so much and so long therefore you could get it down to a scheduled basis.

Q. In the case of chips that would be true?

A. That would be true, yes.

Q. But I would imagine that with the type of weather in which you operate here it would be difficult in periods of weather then to operate a regularly scheduled service?

A. Not too much where scows and barges are concerned. There is not very much time lost by weather, a little, but not a great deal. It is quite possible to get these distances on a schedule.

Q. Do I take it some of your members do operate a schedule service then?

A. Well, the service I mentioned a little while ago, the Vancouver Barge, I think, operates a scheduled service.

Q. That is the company which is not a member of the Towboat Owners Association?

A. It is a member of the Merchants Exchange. Where there is the need or demand for a scheduled service to be supplied certainly we supply it.

Q. So long as the need exists you would continue to operate it?

A. That is right.

MR. WRIGHT: Thank you very much.

MR. C. C. MERRITT: Mr. Chairman, I may say, sir, that I am appearing for the British Columbia members of the Canadian Shipbuilding and Ship Repairing Association and I may also say that I have not got my sea legs as yet so I hope that you will bear with me, Mr. Chairman, if I might appear not as familiar as other counsel with the previous proceedings.

Q. I just have one or two questions I want to ask you, sir. You were asked what the effect of an embargo on imports of foreign-built

coastal craft would be on your industry and you gave a rather vivid answer. You said you were completely at the mercy of the Canadian shipbuilders. In fact, your relations with the Canadian shipbuilding industry have been pretty good, have they not?

A. That is right.

Q. You recognize them as a necessary part of any seafairing nation?

A. Very definitely.

Q. You know they have had their troubles particularly on this Coast for many years?

A. Yes.

Q. So your interests are not really inimical to theirs. There is some balance that has to be brought in?

A. Yes, that is right. I think if I may say so, I have brought out that point several times this morning.

Q. I am sure you have.

A. I do feel that definitely.

Q. I just want to ask you this. It is possible, is it not, to have considerable competition between Canadian shipyards in the tendering on construction of vessels?

A. Between Canadian yards only?

Q. Yes.

A. I would feel it is in several cases where wooden shipyards -- that would be the case I think, but not so much in the steel yards.

at least, that is my impression because there is not much choice.

Q. There is a limited number but between them there is competition. . It is possible to have---

A. It is possible there might be. There could be but correct me if I am wrong, it is my understanding that our major shipyards here, the steel yards, are actually one firm.

Q. You have no knowledge of that?

A. I have no knowledge of that but I think it is a fact just the same. I am under the impression rightly or wrongly --- (the rest of the answer inaudible).

THE CHAIRMAN: Repeat your answer for the Reporter.

A. I was asking a question just for my own guidance. I would appreciate knowing.

MR. MERRITT: I shall have to get instructions on that, Mr. Chairman. I am not referring to any particular situation of any named yard.

Q. Am I not right in saying for any equipment you want you may call for tenders from more than one yard?

A. That is right.

THE CHAIRMAN: What does that do for the situation which the witness has just mentioned is in existence, Mr. Merritt. Surely there is a great deal of joint ownership, whatever the degree it be.

MR. MERRITT: Yes, Mr. Chairman.

THE CHAIRMAN: It is not news to us. I might say there is, of course, other competition from other yards which could build any ships you would use. The Victoria Machine would build any ship you would use?

MR. NEW: Yes, as a matter of fact they have done so on occasion.

MR. MERRITT: That was my point of a particular situation. I do not know what the situation is with respect to the particular yards he mentioned but my point of this examination was I simply wanted to ask if that competition possibly could exist as far as calling for tenders.

Q. There is more than one independent shipyard, is that not so?

A. I would say that is so, yes.

THE CHAIRMAN: Q. How many more than one?

A. The only yards aI know of are Yarrows, the V.M.D., I am speaking of steel yards, Burrard, the B.C. Marine and the Manley over here and one small one in Nanaimo, very small. There actually is not much competition.

MR. MERRITT: Q. Would you say one of the independent yards would not enter into competition?

A. Well, I will put it this way, Mr. Chairman, I wish we had as few members in the Towboat Owners Association as there are shipyards in British Columbia.

Q. Really you cannot say how many?

A. That is right.

Q. But you know there are some?

A. Yes.

Q. So that would I not be right in saying that it is the cost basis in the shipyards which, to a very considerable extent, makes the Canadian prices higher than the prices in other countries?

A. Yes, I would say so.

Q. Also would I not be right in saying that the backlog of floating equipment that you mentioned in the United States tends to make the price of secondhand equipment in the United States very, very much lower than possibly its cost?

A. Yes, I think that is true too. I think that is first rate.

Q. In fact since the war would I be right in saying that of the equipment added to the B. C. towing fleet a very considerable proportion of it has been purchased in the United States?

A. Quite a proportion of it, yes.

Q. And much morethan has been built in the B. C. yards?

A. Definitely.

Q. Quite the largest proportion, would that not be a fair statement?

A. Yes, but if I might just point out one thing there, Mr. Chairman, had it not been possible to get that equipment from the United States it would never have been built locally

because nobody could have afforded to build it.

Q. At a price they would pay for it?

A. Yes, that is right.

Q. Can you give any figures on that or is your Association possessed of the figures of purchases and local construction in that period?

A. I do not know just what figures are available down there. I do not have any of those figures accurately in my head. There is one that comes to mind, the Kingcomb, which was built in Victoria, a beautiful ship of 700 horse power. There again I do not have with me any knowledge of the exact price. I understand it is in the vicinity of $400,000 to $450,000 for that ship.

Q. My question was the number of units of either tugs or barges imported or puchased from the United States and imported as against the number of such units built for your Association or the members of your Association in the Canadian shipping yards?

A. Of all sizes?

Q. Yes.

A. Of all sizes; well then, I would suggest there would be a vast difference in there but from 400 horse power up I would think that it would very possibly be 8 to 10 to 1.

Q. In favour of purchases abroad?

A. Yes.

Q. When you talk about the small size vessels you are meaning the wooden scows which

make up a large proportion of the smaller size?

A. I would not say for all small tugs. This harbour type of tug and that sort of thing has been built locally. They are always likely to be built on the local market. I cannot see them being brought from the States atall.

Q. They are not really built in steel shipyards, they are built in boatyards?

A. They are built in yards in which, if we could name the yards, I visualize as being competitive.

Q. So they are?

A. Yes.

MR. MERRITT: Thank you very much.

Mr. Chairman, perhaps I can clear up this point the witness mentioned in just a moment by getting instructions.

THE CHAIRMAN: Well, your clients have put in a supplementary material to your brief and you will have the witnesses before you and that will be the proper time to make a statement on that.

MR. MERRITT: Very well, Mr. Chairman.

THE CHAIRMAN: Is that the examination of Mr. New?

Thank you very much, Mr. New.

MR. GERIN-LAJOIE: Mr. Chairman, I should like to ask Mr. New to file with the Commission, if it is convenient to him, a list of the members of his Association, please.

THE CHAIRMAN: Mr. New, we wish to thank you

very much for giving very helpful and realistic evidence.

We will have a ten-minute recess.

---The hearing recessed at 11:45 a.m.

---The hearing resumed at 12:00 noon.

THE CHAIRMAN: The British Columbia Lumber Manufacturing Association.

SUBMISSIONS OF THE BRITISH COLUMBIA LUMBER MANUFACTURING ASSOCIATION

Mr. L. R. Andrews, appearing on behalf of B. C. Lumber Manufacturing Ass'n.

THE CHAIRMAN: Yes, sir.

MR. ANDREWS: Mr. Chairman, on behalf of the B. C. Lumber Manufacturing, the plywood manufacturers and the red cedar manufacturers Association of British Columbia they wish me to express their appreciation for the opportunity of appearing before this Commission which has a very important subject of inquiry. It is of very great interest to the forest industries of this Province both from the point of view of coasting trade, inter-coastal trade and international trade.

The Forest Industries of British Columbia are probably the most important industries from the point of view of the economy of the Province and they are also important from the point of view of the economy of Canada in that they constitute one of the largest export industries of Canada.

In the Province of British Columbia there is manufactured better than half of the sawn

lumber for the whole of Canada and 70 per cent of that production is exported out of the Province, some of it by rail freight to the North American Continent and some of it by -- a good deal of it by water borne freight both inter-coastal, that is through the Panama Canal around to the East Coast of North America and to the overseas markets.

The importance of inter-coastal trade has many facets. In connection with coastal trade on the Coast here it is a very considerable factor in the cost of production and every factor in the cost of production is important because we are an export industry and compete on the world markets and we are the farthest away from our markets of any producing region in the commodities that we manufacture and export.

If the proposals that have been advanced from certain quarters resulted in an increase in the cost of production it would immediately have repercussions on the economy of this whole Province and of Canada, we believe. We are not taking this position with a view of opposing what should be done to benefit the shipbuilding and shipping industries of Canada. If they require assistance, and it would appear they do, there are ways and means which we recommend should be taken and those ways and means should be along the lines of subsidies similar to the United States rather than burdening the export industries with extra costs to meet extra high cost of construction and

the high cost of operation of ships in the inter-coastal trade; or by way of restricting the present ability of British built and British registered ships in the carrying trade or the inter-coastal trade and in the international trade.

One of the reasons why we are most anxious that no restrictions be put on Empire shipping, Commonwealth shipping, is that that constitutes an important means for them to earn dollars to pay for what they buy from us.

There are other factors in connection with our domestic trade. Low cost freight, inter-coastal freight, has a very important effect on our rail freight rates. In fact we probably would not be able to ship any of our products if it were not for certain water compelled rates which have governed our trans-Continental rail transportation.

I think, Mr. Chaiman, that touches the high points of our brief and our recommendation is that if it is found necessary and desirable to provide the means of a continuing shipbuilding industry and ship operating industry it should be done by way of subsidy and not by way of protection.

MR. GERIN-LAJOIE: Q. Mr. Chairman, I wonder if Mr. Andrews could file with the Commission at some other time a list of the members of each of the three Associations on behalf of which he appears today?

A. Very glad to do that.

Q. Mr. Andrews, would you say concisely

what are the operations of the company members of this group or groups on behalf of which you appear today?

A. Im terms of---

Q. Is it mainly transforming the logs into certain types of finished wood or does it include some other operations?

A. Well, the member companies of the three organizations, many of them cut their own logs in the forest, transport them down to the water and from there they are towed down to various places including sawmills, pulpmills, plywood factories, shingle mills, where this raw material is fabricated and made ready for market.

Q. And then is is transported from the mills to some special place, to international docks or---

A. The lumber is transported largely by scow to docks or it is placed on the dock right from the mill without going by scow.

Q. Can you tell the Commission whether the companies which are members of those Associations own some tugs or barges themselves or not?

A. Yes, some of them do.

Q. They do operate themselves those tugs and barges and scows?

A. That is right.

Q. Would you be in a position to supply the Commission with more detailed information as

to the number of companies owning and operating their own tugs and the number of tugs operated in that manner?

A. Yes, Mr. Lajoie, we can get that information for you.

Q. Can you also in filing this statement include among it the proportion of transportation of your members which is carried on in this manner by tugs and equipment owned by the companies themselves?

A. That is the percentage of tugs and equipment owned by the members of the Association?

Q. No, I mean the percentage of the transportation operations carried on by your members as opposed to independent towboats and things?

A. Common carriers.

Q. You refer in your brief to the inter-coastal trade so can you tell the Commission how important this trade is at the present time to your members?

A. The inter-coastal trade means that trade between the British Columbia Coast region and the East Coast of United States and the East Coast of Canada.

THE CHAIRMAN: Q. No, the east coast of Canada.

A. It is not very extensive at the present time.

MR. GERIN-LAJOIE: Q. Do you consider it of

some importance as a potential competition for other means of transportation. You refer to this trade in your brief and I would like to know from you what importance you attach to this trade?

THE CHAIRMAN: Q. There are just three ships in it?

A. Yes, in it at the present time, yes.

Q. What are those ships?

A. The aluminum ships.

Q. What registry are they, or do you know?

A. I am not sure about that.

MR. GERIN-LAJOIE: Q. Would they be the Saguenay Terminal ships?

A. Yes.

Q. At page 2 of your brief you mention that this inter-coastal trade constitutes -- I quote "constitutes an important rate making factor in establishing water compelled rail freight rates across Canada."

"This is a prime factor in the cost of rail transportation of 600,000,000 feet of West Coast lumber shipped to the Canadian domestic market and will become more important as the St. Lawrence Seaway opens new consuming centres to enter coastal trade."

Well, I wonder what basis you have or what explanation you can give to state that the inter-coastal trade constitutes an all important rate making factor?

A. Well, it is a matter of competiti

between the inter-coastal ships and the railways. If we can charter for the St. Lawrence River at a certain rate and the railways know that we can, that is a very important factor in setting the rail frieght rates to the same destinations across the country.

Q. Do you mean that the cost of water transportation from British Columbia through the Panama Canal to the East Coast of Canada has some importance in determining the rail rates?

A. That is right.

Q. From British Columbia to the east Canadian coast?

A. It has in the past been the controlling factor, whether it is the determining or not, I cannot say but I believe it is an important factor because otherwise there would probably be increases in the rail freight rates.

Q. I wonder if you have any ground for this assumption?

A. Well, I think we can submit very convincing evidence to that effect through the records of the Board of Transport Commissioners and our appearances there from time to time in the past.

THE CHAIRMAN: Q. It is all potential because these three ships loaded with lumber would carry a very small faction of the rail shipments?

A. Yes, Mr. Chairman, but---

Q. What they are in somebody else can

follow?

A. That is not the only means. From time to time we are able to charter ships and load for the Atlantic or St. Lawrence River.

Q. There have been other ships on special charter?

A. Yes, very many in the past.

MR. GERIN-LAJOIE: Q. Are you in a position to tell the Commission what portion of logs is transported by towing in rafts or by scows?

A. As between the logs we tow in rafts and/or by scow?

Q. Right.

A. A very small percentage by scow.

Q. What percentage by barges, would you know?

A. Very little.

Q. So most of it would be by towing rafts?

A. I think there is just one company bringing logs down by barge.

Q. Would it be a new type of barge, unloading itself?

A. Well, from time to time there have been barges used from the West Coast of Vancouver Island and from Queen Charlotte Island down to the lower coast but the bulk of those logs are towed in flat rafts.

Q. Now, you include in your brief at page 2 a table showingthe shipments from British

Columbia of sawn lumber and you mentioned the shipments in Canada by rail and water. Are you in a position to divide what is shipped by rail and what is shipped by water and what is shipped by the combined means of transportation?

A. Yes, that can be broken down.

Q. So you will supply the Commission at a later time with this information?

A. Yes.

Q. Regarding the competition factor in your business or the business of the members of your Association, can you tell to what extent your companies would be affected by a raise in the cost of transportation as a result of any later reservation of the coasting trade of Canada to Canadian built vessels. Do you have any idea of how such reservation would affect the cost of transportation to your companies?

A. I am afraid I would not be in a position to judge that. It depends on how much they would increase the cost of transportation because what the producers, the manufacturers get for their product is prices that can be secured in the world markets less the cost of freight and if naturally, inevitably freight costs go up it narrows the margin which the manufacturer has to work on as between his cost of production and his selling price.

Q. Can you tell the Commission what proportion of the laid-down selling price of the products of your members is transportation within

Canada?

A. Well, I think there will be evidence later on from Mr. Shaw of MacMillan and Bloedel, who will be able to give you that information. It is not available to me at the moment.

Q. Regarding the dollar-earning factor for Britain, do you have any idea of how much the reservation of Canadian coasting trade to Canadian built vessels would affect the dollar earning of Britain's position. Have you made any study of that point because you refer to it in your brief. I wondered if you had any figures you could supply the Commission?

A. I have no figure on that.

Q. Are there to your knowledge any U. K. operated vessels operating in the B. C. Coast in the coasting trade?

A. I don't know that.

THE CHAIRMAN: Q. That was what rather struck me, Mr. Andrews. This Commission is interested in the effect of British competition on the coasting trade which, of course, includes the inter-coastal trade, which is actually part of the coasting trade because it is going from one port of Canada to another port of Canada. I suggest to you that so far as the coasting trade in British Columbia waters is concerned there is no British competition at the present time and so far as the inter-coastal trade is concerned the only British competition is three ships,

the three Saguenay Terminal ships , if they are of British registry, I believe they are; is that so, Mr. Mundell? The Saguenay Terminal ships are of British registry, are they not?

MR. MUNDELL: Yes, I believe so, Mr. Chairman.

THE CHAIRMAN: Q. So the whole of the British competition as far as your transportation is concerned consists of three ships of the inter-coastal trade therefore I say that is the only impact on your costs. None of this rafting is done on United Kingdom vessels at all, is it?

A. No, Mr. Chairman, but if the operation of vessels in the coasting trade is confined to Canadian registered vessels our costs are certainly going to go up.

Q. How?

A. Because the cost of operating the vessels is higher, will be higher.

Q. You only use Canadian owned vessels now. There is nothing else available to you right now on the West Coast of British Columbia in the coasting trade?

MR. GERIN-LAJOIE: There are ships built either in Canada or in the United States.

THE CHAIRMAN: I am speaking of British owned, United Kingdom owned vessels. When you come to the importation of vessels but so far as British owned or United Kingdom owned, there are no United Kingdom owned vessels on the West Coast?

A. No. In the coasting trade I would question that, sir, because---

Q. You question it but tell me one because I have not heard of it so far?

A. The Canadian Pacific Railway boats are.

Q. They are not engaged in any way in the coasting trade?

A. Yes, sir. They transport our equipment and men up to the camps.

Q. That is a different feature. That is package freight upbound. The Canadian Pacific by the way is not British owned but British vessels which are now Canadian.

MR. MUNDELL: They are British registry.

MR. WRIGHT: No, Mr. Chairman.

THE CHAIRMAN: Q. Confining it to British owned or United Kingdom owned is there any part of the service serving you? I have not heard of it.

A. We would anticipate, possibly, Mr. Chairman, that with the opening of the St. Lawrence Seaway that there might be a very considerable factor in the inter-coastal trade.

Q. Well, you are going into the realm of the future. A lot of people are anticipating all sorts of things with relation to the opening of the St. Lawrence River but let us take the present situation. Am I putting it properly when I say that at the present there are no United Kingdom owned vessels in the British

Columbia coasting trade; that is the British Columbia coasting trade first and secondly in the inter-coastal trade?

A. As far as my knowledge goes I think you are right.

MR. GERIN-LAJOIE: Q. Of course, you pass from there to the question of not only British registered but British built. Speaking firstly only of British ships in the coasting trade, not the intercoastal, is there much British built shipping in the coastal trade. In other words, these tugs and barges, and it is very largely a matter of tugs and very little a matter of barges?

A. That is right.

Q. Are there any of them British built? Has there ever been a British built tug on the British Columbia Coast?

A. I don't know that.

THE CHAIRMAN: Q. Because we have had tug operators say it is highly unlikely tugs will be brought across the ocean. Small tugs have been brought from the United States down to Brazil but those are tugs, not barges or rafts. They are wee bitty things. So is that the situation there?

A. As far as I know.

Q. I put it to you the whole cost impact of any restriction on the ownership or place of construction of ships, so far as your industry is concerned is that it would bar the

inter-coastal shipping of these ships, such as the Saguenay Terminals, and therefore you say knock out a potential competition holding down the rail rates. Is that it?

A. It would have thateffect.

Q. Of course, you would have that potential competition of the Canadian built and Canadian operated ships in the coasting trade, would you not?

A. If they can compete, yes.

Q. Do you know whether any of these occasional charters have been of Canadian ships or were they all of United Kingdom built and registered ships?

A. I could not give you that information, Mr. Chairman.

Q. You think that MacMillan and Bloedell have? Do you know if they have chartered these vessels?

A. Yes.

Q. We can find out from them.

MR. GERIN-LAJOIE: Q. Are you in a position to tell how much of the lumber sold by your members goes through the St. Lawrence River, the Great Lakes and the St. Lawrence River, if any?

A. We can get that information, yes.

Q. Can you say right now if an important proportion or a significant proportion of the lumber sold goes through that seaway?

A. I could not tell you that.

By water?

Q. Yes.

A. Through to Montreal. There are cargoes go to Halifax, Montreal and trans-ship. I think some water borne cargoes go up as far as the Great Lakes.

Q. You mean it is inter-coastal to Halifax or Montreal and then inland waterway from there?

A. Yes.

Q. Of course, now it has to go through a 14-foot channel where it will have a 27-foot channel to go through later?

A. That is right.

MR. GERIN-LAJOIE: Q. Is there lumber going by rail from British Columbia to the Head of the Lakes?

A. Yes.

THE CHAIRMAN: Q. Does it go southbound because it is pretty hard to get a hold of a southbound ship at the Great Lakes?

A. I do not think there is much trans-shipment by water from the Head of the Great Lakes.

Q. You have to compete with grain and ore there?

MR. GERIN-LAJOIE: Q. Going on to page 3 of your brief in your recommendations you suggest that no changes be made in the Canadian laws regarding participation by British flag ships in the St. Lawrence Seaway traffic, so it would be interesting to the Commission to know to what

extent you have an interest in the shipping costs on the St. Lawrence River because it might be that the greatest part of the lumber sold by your members would be shipped by the Pacific Ocean through the Panama Canal going west or otherwise. You understand my object? I am asking you, it would be interesting to the Commission to know what percentage of all the lumber sold by your members goes through Canada by rail to the Head of the Lakes and then by water?

A. If it starts here by rail it goes to its destination by rail. It is not trans-shipped at the Head of the Lakes into barges.

Q. So that is definite information?

A. At the present time, yes.

Q. It would be interesting to the Commission to know to what extent the St. Lawrence River and the Great Lakes are used in any way for the transportation of British Columbia lumber at the present time in boats?

A. I can give you that information.

Q. My last question is on page 2 of your brief you say: and I quote:

"The British Columbia Coast region "is farther from its market than any "other important producing forest region "in the world."

Is this statement to be taken to the letter, "farther away than any other important producing forest region to its markets"?

A. Yes, that is correct.

Our competition in the United Kingdom, in South Africa and Australia and in the Atlantic Coast, we are fartheraway from our markets than is the producing region in north Europe to its markets. That is to say the United Kingdom and the other markets that they serve.

Q. Do you have any competition from the Western United States?

A. Yes.

Q. Would they be closer to their market than you are?

A. They are closer to their own market, which is a very big market, about 90 per cent of their lumber is shipped to their own domestic market which is very close.

Q. When you ship to the Canadian market you would be closer than your American competitors and, of course, the foreign competitors?

A. Well, we have the same freight rates from the West Coast to the Canadian domestic market but a great deal of the lumber that comes into Canada from the United States is much closer to the consuming market in Canada than we are.

THE CHAIRMAN: Q. Do you compete with that kind of lumber?

A. We compete with South Pine.

Q. You have not much mahogany?

A. No, we have not any hardwood.

Q. Surely the imports into Canada from the United States of lumber would be almost

totally consisting of hardwood flooring and hardwood trim and that sort of thing?

A. Well, sir, there is a quite a lot of pine comes in from the United States and Southern Pine, some Southern Pine, and some Redwood.

Q. Well, Redwood is trim. Are you shipping Redwood?

A. No.

MR. GERIN-LAJOIE: That is all.

MR. WRIGHT: Q. Mr. Andrews, on page 2 of your brief under the heading "Sawn lumber Shipments From British Columbia to Principal Markets." you mentioned the United States shipments by rail and by water and I think that you are going to give a breakdown of that showing the shipments going by rail and the shipments by water?

THE CHAIRMAN: That was to Canada not the United States.

A. Both.

MR. WRIGHT: Q. I thought that, I may have misunderstood you, I thought you were going to give both?

A. Yes, we can break down the rail and water, United States and Canada.

Q. When you say rail and water, you do not mean that the lumber would go by both rail and water?

A. No.

Q. You mean "by rail" and "by water"?

A. That is right.

THE CHAIRMAN: Q. I suggest to you your lumber could not possibly get to rail without first going by water, is that so?

A. No, practically all our mills, Mr. Chairman, have rail facilities.

Q. So that the lumber operations take place and then they are rafted to the sawmills and those sawmills are on rails?

A. Yes, rail and water.

MR. WRIGHT: Q. When the Seaway is opened, would you anticipate, Mr. Andrews, that more lumber might go by water to Eastern Canada?

A. I would think that is a distinct possibility unless the railways' freight rates were adjusted to meet that competition.

Q. That would mean that larger ships would be able to go with larger loads to Toronto, say?

A. That is right.

Q. Your lumber, to some extent, competes with lumber produced on the Pacific Coast both in Canada and the United States?

A. Yes, sir.

Q. There are no duties on lumber either way?

A. No, it is practically free freight. There is a duty on Canadian lumber going into the United States of about $1 a thousand. There is a duty on U. S. dressed lumber into Canada, except pine, Sugar Pine, Ponderosa Pine. That duty on dressed lumber is 10 per cent.

Q. Of course, you do not compete with Pine?

A. We do compete with Pine, very much so.

Q. Do you?

A. Pine is allowed in dressed or rough for manufacturing sashes,,doors and trims. There is three hundred million feet comes in from the United States into Canada every year.

Q. You can ship lumber from British Columbia either by water through the Panama Canal to Eastern Canada or by Canadian trans-continental railways or by United States' railways, is that not right?

A. That is right.

Q. So that you have three choices which means that the Canadian trans-continental rates for lumber must not only be competitive with the inter-coastal water rates but they must also be competitive with the United States trans-continental rates to the East?

A. That is right.

Q. So that you have the benefit of two forms of competition, the inter-coastal water carriers and the United States' rail carriers?

A. Yes. Well, because the rail freight rates are by agreement -- we get the benefit of the U. S. rates from Vancouver to destinations in the United States, compared to Seattle and to those destinations.

MR. WRIGHT: Thank you.

MR. MERRITT: I have no questions, Mr. Chairman.

COMMISSIONER BELANGER: Q. On page 1 you have given a statement here of shipments to the principal markets in 1954?

A. Yes.

Q. Can you give us the same figures for each year, let us say, beginning in 1945?

A. Yes, they are readily available and I will see that the Commission gets them.

Q. Can you give us also a price index or I mean the price of some kind of product; I mean the price of your products from 1945 to 1954, the selling price?

A. The selling price of---

Q. I mean of the most important one or something like that?

A. Yes, I think I can probably get some information on that.

THE CHAIRMAN: Q. The firs are most important.

A. Yes, Mr. Chairman, there are about 60 or 70 different items that range in price from $25 to $125 or $150.

Q. What is your standard grade, Number 1 Grade B. C. Fir in two-inch board? Is that a pretty standard item?

A. That would be a very indicative item.

COMMISSIONER BELANGER: Q. Can you give us also a statement of the cost of transportation of this type of lumber let us say from here to

Montreal for each year, you see?

A. Yes, there has not been -- from 1945 up to the present year, yes, I can give you that.

THE CHAIRMAN: Have you any questions, Mr. Wickwire?

COMMISSIONER WICKWIRE: No.

THE CHAIRMAN: Thank you very much.

---The witness retires.

THE CHAIRMAN: I think we will adjourn now until two-thirty this afternoon.

---The hearing adjourned at 12:45 p.m.

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---Upon resuming at 2:43 p.m.

THE CHAIRMAN: Yes, Mr. Mundell?

MR. MUNDELL: The next brief is that submitted by MacMillan and Bloedel. The number of the brief is 42, and Mr. Ralph Shaw is appearing for MacMillan and Bloedel.

SUBMISSION OF MacMILLAN AND BLOEDEL LIMITED

Mr. Ralph Shaw, appearing

THE CHAIRMAN: Yes, Mr. Shaw?

MR. SHAW: Mr. Chairman, I am pleased to be able to present one or two ideas on behalf of my company on this important subject. I think that the main proposition that our company has to make is that the United Kingdom market particularly, and the Sterling area generally, are of vital importance to our Canadian economy. Our sales in Canada to the United Kingdom last year exceeded $650,000,000, and there is ample scope to increase this trade if the dollars are available. Our ability to maintain this trade is seriously threatened by the difficulty of the United Kingdom in securing enough dollars for her requirements from Canada, as well as other places. The adverse trade balance with Canada last year was $260,000,000, and to demonstrate the importance of the United Kingdom market to British Columbia I might mention that the export figures last year from the Coast region for lumber showed that 36 per cent of the volume went to the United States, 35 per cent to the United Kingdom, Australia and South

Africa which are considered in the Sterling area. We think that it is vital that everything possible be done to improve the ability of the United Kingdom to earn dollars to buy our goods in Canada, and we suggest that any removal of any opportunity to earn dollars is serious for Canada, and in that respect it seems to us that the ability of the United Kingdom to earn dollars by building ships for Canada, or by providing ships for coastal or inter-coastal trade should not be reduced.

I think that that is the principal point in the brief that I wish to emphasize.

THE CHAIRMAN: Thank you.

MR. MUNDELL: Q. Mr. Shaw, what is your position with the Company, with MacMillan and Bloedel?

A. Vice-President in charge of sales.

Q. In charge of sales, and how long have you been with the Company?

A. Since 1929, I believe it is.

Q. You are fairly familiar with its operations, then, I take it?

A. Yes.

Q. Is your company a member of the British Columbia Lumbermen's Association?

A. Yes, sir.

Q. I take it that you probably endorse that brief also, as well as your own; is that correct?

A. Yes, sir.

Q. Does your company operate tugboats or barges and scows of its own?

A. We might have a few small boats 20 or 30 or 40 feet long for moving scows and logs around our own operations, but no one would say we were in the business of operating tugs.

Q. That is to say for long-distance transportation you engage other vessels; is that correct?

A. That is correct.

Q. I would like, if I may, before going on to these other points -- these are questions arising out of your brief -- to get a general outline of the nature of the Company's operations. Could you outline them?

A. We own forests. We extract the logs from those forests, and we have our own sawmills and plywood mills, shingle mills, pulp mills, and we operate a shipping company and we merchandise our goods that we produce, and also goods that we buy. We merchandise these goods in Canada and in other markets of the world.

Q. What are your own products?

A. Logs, lumber, pulp, shingles, plywood, doors, prestologs.

Q. Paper?

A. Paper and newsprint is coming up. We are constructing mills, but we are not producing.

Q. What products do you purchase and

merchandise?

A. Lumber, shingles, plywood---

Q. I understand this is filling out your line and more or less going along with your own products?

A. Yes, those are the things we purchase. We purchase logs.

Q. In regard to your logging operations, where are they carried on, mainly?

A. Vancouver Island; I do not think we are logging on the mainland now.

Q. Would you buy logs that are logged on the mainland?

A. We buy logs from many sources.

Q. Would they be delivered at the mill, or do you buy them up the Coast and make your own deliveries to your mills and so on?

A. I think we generally buy them -- I am sure we buy them at a variety of delivery points, but principally I would think the points where we take delivery of the logs would be closer to our mills than the places where they were put into the water.

Q. By the way, where are your mills situated?

A. Well, on the Fraser River between New Westminster and Vancouver there is a shingle mill, a plywood mill, and a door factory, and a prestolog plant, and a sawmill; at Chemainus there is a sawmill, and just south of Nanaimo

there is a pulp mill, and at Port Alberni there are two sawmills and a shingle mill and a plywood plant and a pulp mill. Those are the principal conversion units.

Q. You mentioned a shipping company as being one of your company's operations. Can you enlarge on that? In what field does it operate?

A. We charter ships in the world charter market and use them to carry our goods overseas, as well as a few other goods.

Q. That is not a coasting trade operation, then?

A. No, -- coasting means within---

Q. It means within any two points in Canada?

A. Well, yes, we have frequently operated ships between here -- sailed ships between here and the St. Lawrence, but we are not doing that at the moment.

Q. I was going to come to that in a moment, but can you explain the nature of that operation to the Commission? How frequently do you do it, and what are the reasons?

A. Well, in the 1930's we operated a regular service. During the war -- I do not mean a regular service, but we had numerous sailings each year.

Q. How many, approximately?

A. Well, it would not have been more than six or seven, I do not think.

Q. And that was operated right through the 1930's?

A. Yes. It would not be more than six or seven, and it might be four or five. I am not sure of that at all.

Q. What size of vessels would they be, approximately?

A. I think 8,000 to 10,000 tonners.

Q. And where would they make delivery?

A. Halifax, St. John's, Quebec, Montreal.

Q. Would they be exclusively for your own products?

A. No.

Q. Were they exclusively for the sale of your products or goods you have purchased for resale?

A. No.

Q. You did not charter the ship, then. Did you just charter space?

A. We chartered the ship but we carried other goods besides lumber.

Q. What would the other goods be?

A. Canned goods -- salmon. Salmon is one that I remember, but I think there was a fair amount of general cargo.

Q. Just something to fill it up, I take it?

A. Yes. Well, we had a regular service that carried cargo both ways.

Q. Was this operated mainly to carry

your own products, or did you find the operation itself profitable as a general cargo operation?

A. It was a venture -- a combined venture to carry our own goods and whatever other goods we could profitably carry.

Q. So, in a sense, during the thirties -- you do not use the word "regular", but there was a fairly regular inter-coastal service from Vancouver to the St. Lawrence Basin; is that correct?

A. Yes.

Q. Now, you had come down to the war and you were going to say something, but I am afraid I cut you off?

A. That was discontinued. Since the war I am not sure whether we have put any ships ourselves into the St. Lawrence.

Q. Have you shipped any of your products by ship to the St. Lawrence?

A. Yes.

Q. Under what arrangement would they be sent?

A. Various -- the Saguenay Company in recent years has been carrying tonnages , and prior to that I think we might have put in a few ships ourselves between the end of the war and prior to the start of the Saguenay service.

Q. About how many ships a year would you think -- how many ships since the end of the war would you have used?

A. I think it would be better for me

not to guess at that. I am rather vague on the number of sailings since the war, but it could be very easily discovered.

Q. Would it be possible for you to furnish to the Commission information as to the number of times you have sent your products by ship to Montreal since the war, and the quantities? Would that be possible?

A. Yes.

Q. The idea being to see how significant the movement is?

A. Yes.

Q. In the operations of the company, then, as I understand it from your description, transportation intra-the Province of British Columbia plays a moderately important function, does it not?

A. Yes.

Q. Can you give to the Commission any indication of the proportion of the laid-down price of your lumber exports that is attributable to water transport in Canada? Do you understand my question? Can you give the Commission any indication of the proportion of the export price that the water transport costs in Canada---

A. Yes, I understand. Today I would think 25 per cent of the delivered value of standard specification in Montreal might be freight charges.

Q. I was thinking of your exports to the United Kingdom, and elsewhere?

A. In the United Kingdom I think that average figure might be closer to 40 per cent of the c.i.f. value of the goods landed in England.

Q. I am not sure that I made myself clear, and I am sorry. I meant of the transportation in British Columbia the amount that goes on within your operations here?

A. I see.

Q. As I understand it, the figure you were then giving me was the transportation costs to the market, and everywhere else, but I just want the Canadian segment if you can give it to me -- that is, water transportation?

A. If the delivered value of our lumber in Eastern Canada is 100, what portion of that was involved in water transport of those goods in British Columbia?

Q. Yes, give me that for a start.

A. No, I could not.

Q. Could it be found out, do you think?

A. Yes, I think I could get that.

Q. Could you give us some idea of the order of it at this stage subject to later verification?

A. I do not suppose that three per cent -- certainly not three per cent -- of the delivered value of the goods in Montreal would be involved in local water transport in British Columbia. That is a very wild ---

Q. Well, subject to verification we will

take that figure of three per cent. One of the major points relied on in your company's brief, apart from the dollar question, is the fact that you sell your products in the world market, and any increase in coasting transportation costs will be of serious consequence to you. If that still true if it is only three per cent of the overall cost? Supposing it is increased 100 per cent, that would raise it to six per cent, but if it is only a minor increase would it be of any serious consequence?

A. I did not think that our brief discussed the cost of water transport in British Columbia by inference.

Q. As a matter of fact, it does not stress it as strongly as I thought it did, or, at least, I might have misinterpreted it.

THE CHAIRMAN: Look at the end of the paragraph immediately following No. 2.

MR. MUNDELL: Q. The Association stressed that very strongly, and what I was trying to find out is some arithmetic on the significance of that argument?

A. I see.

Q. What would you say?

A. What proportion of our delivered costs in Montreal is the cost of moving goods by water here? Well, I made a guess at three per cent. Three per cent of our delivered cost. Let us accept the figure of three per cent, and

assume there is 100 per cent increase. Well, that would be a very serious factor.

Q. Supposing it is 10 per cent, would it then be serious? That is, 10 per cent of three per cent; that is .3 per cent. I do not think there is much use in pursuing this until we get the actual figures, but have I made myself entirely clear? Would that figure of three per cent which you mentioned include the cost of bringing the logs to the mill, and the cost of moving any of the products around on the water afterwards? Is that the overall---

A. Yes, the cost of bringing the logs to the mill, and the cost of delivering lumber by vessel and scow, and so on.

Q. Yes. Then, you are, as I understand it, sales manager. If there was an increase in your costs which way would that increase move? Would you have to absorb it, or can you unload it on the purchasor?

A. We definitely must absorb it.

Q. What is the reason for that?

A. Because our goods are sold in the open markets of the world, in competition with a variety of materials in a variety of supplying countries, and the delivered price that we sell at on any one day is unrelated to the cost over a period of time. If the price is below the cost too long and the supply dries up sufficiently the law of supply and demand functions, and the

price goes up again, but there is no fixed price. We are operating outside in the world markets, and they are uninterested in our costs.

Q. Is the price of lumber in the United Kingdom and your other markets volatile?

A. Yes.

Q. Is it very volatile?

A. Yes.

Q. The reason I ask that is the Commission was told in Winnipeg in answer to the same question in regard to increased costs of transportation of grain that it is difficult to say which way it would go. Depending on the state of the market the producer might get a higher price, and sometimes he might have to absorb the whole cost. Would it be fair to say the same thing about your business?

A. I would say that in our business the delivered price is fixed by competition and not by our costs, and if our costs go up tomorrow by five per cent it could very well be that our selling price in the United Kingdom would go down by one or two or three per cent, or it could go up.

Q. In which case you would be in effect passing it on?

A. It would not be because our costs went up; it would be because the market was moving in that direction. That is quite an important factor that we are not in a position

to pass along to our customers increased costs because they happen to occur at any particular time. We are selling our goods for as much as we can get for them, and our buyers are buying for as little as they can buy them for.

Q. Would any slight increase in your price seriously affect you -- maybe I can put that more directly: Is your competition fierce?

A. Yes.

Q. And would any slight change in your price seriously affect your sales?

A. Well, 25 cents a thousand will get an order or lose an order.

Q. And what would the price per thousand be?

A. Say, on a price of $125 -- something in the $100 to $150 range -- 25 cents to 50 cents a thousand will get an order or lose an order. It is a very competitive business.

Q. For the information of the Commission could you say where your competition mainly comes from, say, in the United Kingdom and in Europe?

A. Finland, Sweden, Russia, France, Yugoslavia, and Eastern Canada.

Q. Are these competitors of yours fairly constant suppliers?

A. Yes.

Q. There is one thing I would like to come back to, if I may. How do you ship your products to the United Kingdom?

A. Do you mean by what flag of vessel?

Q. No; by what means of transportation does it get to the United Kingdom?

A. By vessel.

Q. Shipped from here to---

A. Shipped from here through the Canal.

Q. Do you make those arrangements yourself, or do the purchasors?

A. We sell it on a c.i.f. basis. We fix the freight.

Q. That is, you sell c.i.f.---

A. ---London, Liverpool, Hull.

Q. Where do you take orders for delivery in the United Kingdom,or how do you contact---

A. We have agents in the United Kingdom who are in daily cable contact with us. We receive offers in Vancouver, and we accept the offers or counter offer until the business is finalized. The business is finalized, the negotiations are finalized in London and the contracts are signed in London by our agents who are getting their authority from us every day by cable.

Q. I am not quite clear when you sell on a c.i.f. basis in London whether you charter the ship or arrange for the ship, or does the purchasor do that?

A. No, we are responsible for delivering the goods in London.

Q. May I ask you one further question

that is related to the earlier one about the percentage of cost of water transport in Canada? What would be the percentage of the price of your logs in England represented by transportation in Canada? I think it is probably the same figure?

A. By water transport in Canada?

Q. By water transport, yes, in Canada. Could you let us have that later on? We could get a transcription of the question and let you have it.

A. Yes, actually water transportation costs in British Columbia in dollars and cents is the same whether the goods go to Canada or the United Kingdom or anywhere else. The cost per thousand is unchanged wherever the goods are delivered.

Q. Can you tell us what would be the typical cost of transportation from Vancouver to Liverpool of some unit, say, a thousand feet?

A. I think about $45 per thousand feet.

Q. Is that what it costs to deliver from Vancouver---

A. That is the freight today, or, at least, that is approximately what the freight rate is today.

Q. Now, the argument is put forward on behalf of the shipyards that if they do not receive protection they will be forced to go to the wall, or they say they will lose a great deal of business and be in a precarious state.

You say if there is an increased cost of transportation, and if we do not use U. K. means of transportation, you will lose business. I am wondering if you have any views as to the relative importance of these things, say, from a national point of view; whether some loss of business on your part but maintaining the shipyards would be a good thing or a bad thing?

A. Well, did I say if our costs---

Q. You said if there were restrictions, as I understand it -- if we do not use British shipping that will cut down the supply of dollars to buy your goods. I think that is what you said?

A. Yes.

Q. On the other hand, the shipyards say if we use British shipping that is going to cut down their business, and in the Great Lakes some of them say they will just disappear?

A. Yes.

Q. I was wondering whether you felt your losses would be so serious that it would outweigh the disadvantages of the other. I suppose that is really the $64 question?

A. I would say the answer is "Yes", but to what extent -- that would involve quite a heavy economic discussion, I think.

Q. I agree with you, and I was wondering why you say "Yes". You feel, just taking the dollar argument now, that the loss of purchasing power to the United Kingdom through Canada's

discontinuing the use of United Kingdom ships, in the coasting trade -- although there is none that goes on in British Columbia waters with United Kingdom bottoms -- would be so serious as to cut into your business and seriously affect you?

A. I have no idea of how many dollars the United Kingdom secures from providing and operating ships in Canada's inter-coastal service

THE CHAIRMAN: Q. Neither you nor anyone else seems to have any idea of that, and that is all-important. I suggest to you that if they get a ten-cent piece in Canadian dollars there is not much to protect, and the most important part of that argument is how much dollar earning capacity is in existence now which would be affected by such a restriction as is proposed, and we have not heard from anybody the slightest scintilla of an estimate. Unless and until we get that evidence the argument does not seem to be one that is very convincing to me.

A. I think that a ship of 10,000 tons commands a hire in the world charter market of somewhere between $1,500 and $2,000 per day.

Q. Supposing it costs $1,499 to run it?

A. Is there a 10,000 ton Canadian bottom in the Canadian coasting trade?

THE CHAIRMAN: Oh, yes; there are three, at any rate. There are three that run up from North Sydney to Montreal with coal.

MR. MUNDELL: That is right.

THE WITNESS: Those ships, if their total hire is being paid in dollars, do add a net figure to the dollar pool, compared to those same ships earning a similar amount of Sterling freight.

THE CHAIRMAN: Their net, after they are paid out in dollars. It would add to their dollar revenues not only the profit but the amount paid out in Sterling but not the amount paid out in dollars, and we have been told that about 80 per cent of the revenue of a ship must be obtained in the country in which it is operating because that is where its expenses are. The oil that those ships are buying is not carried across the Atlantic Ocean; they have to buy it in these waters.

MR. MUNDELL: Q. I think it was the point that the Chairman is making that I was leading up to. You are advancing a dollar argument as being the reason which you say is so valid against protection that you are prepared to accept the shipbuilding industry in Canada going to the wall, but you have not evaluated actually what is involved, and I want to know if you can do that. Do you feel you would be able to do it? It is really impossible to weigh the validity of your argument unless that is done, as I think you will agree.

A. Well---

Q. It may be an unfair question to ask you. If you cannot do it, can you suggest how it can be done for the Commission?

[illegible]

[illegible] , [illegible]

[illegible] Dinner. [illegible] to [illegible]

[illegible] not only the profit [illegible]

[illegible] but [illegible] amount paid out in

[illegible] told [illegible] about 8% per

[illegible] ship must be obtained

[illegible] in which it is operating because

[illegible] the expenses are. The oil then there

[illegible] not carried across the Atlantic

[illegible] in it in the [illegible].

Mr. [illegible] , [illegible] was the point

[illegible] that [illegible] that [illegible]

[illegible] advertising [illegible] as being

[illegible] [illegible] valid [illegible]

[illegible] that you [illegible] to accept the

[illegible] industry [illegible] quite to the [illegible],

but you have not evaluated [illegible] what is

involved, and I want to [illegible] you do that.

So you [illegible] would [illegible] the life. It is

[illegible] important [illegible] the validity of [illegible]

[illegible] that I [illegible], so I think you will

[illegible].

[illegible] Hall---

[illegible] to say [illegible] [illegible] for [illegible]

[illegible] you [illegible] [illegible], can you [illegible] for it

[illegible] the Commission?

A. To evaluate the dollar advantages to the United Kingdom through being able to provide new ships and to operate ships in Canada?

Q. Yes, for the coasting trade -- supplying new ships and operating in the coasting trade?

A. Yes, I think we could certainly make a stab at providing an estimate of that. We will do our very best.

Q. I think it will be very much appreciated if you could do that.

A. Yes.

Q. In your brief you state:

"Higher coastal freight cost "would remove the spur of competition "which water transport provides to "rail and truck shipping."

Can you give a concrete illustration of where rail and truck rates are fixed by this competition, or is it only on the inter-coastal?

A. Yes, inter-coastal was what I was referring to.

Q. Would it affect transportation between Vancouver and internal points?

A. I think not. I am not aware of how they -- for instance, from here to Winnipeg?

Q. Yes.

A. No, I am not aware of how the shipping situation would affect the freight to Winnipeg.

Q. Do you know the history of the rates,

and how it has affected them on the rate, say, from Vancouver to Montreal? How does the rail rate compare with the ocean rate?

A. At the present time ocean freight rates are very high, and I do not think that they very much affect the rail freight rates. I believe that earlier there were periods that the rail rates were adjusted downwards to compete with the ships during the summer shipping season. You cannot give a quantitative comparison?

A. If my recollection is correct, why, there would be no difficulty in substantiating it. I have a recollection that that was the case that the freight rates were adjusted seasonally as the ships operated, or did not operate.

THE CHAIRMAN: Q. Why seasonally?

MR. MUNDELL: Because of the St. Lawrence.

THE CHAIRMAN: Q. Are you speaking of St. Lawrence traffic there?

A. Yes.

THE CHAIRMAN: We have heard of that at the other end of the continent.

MR. MUNDELL: Q. How are the rates now? Are there seasonal rates?

A. No. As I say, I do not think that the ocean freight rates are really very effectively influencing the rail freight rates.

Q. That is at the moment?

A. Yes, at the moment.

Q. I hesitate to go into rates in the

presence of all these representatives, but what are the present rates? Are they standard rates or competitive rates or---

A. The rail rates?

Q. Yes.

A. I do not know whether they are standard, or not, sir.

Q. Possibly our ignorance on this is about equal?

A. Railway rates are fixed, I think. There is a continual discussion on the rail rates, and I think they are fixed by the Railway Commissioners, are they not?

Q. I think we can probably get that.

A. Well, I am not an authority.

Q. I do think if you have anything further to add to your argument that inter-coastal shipping is significant as a rail rate fixing factor it would be helpful if you could file a history of the facts that support that argument?

A. Yes.

Q. I think you mentioned -- I might have missed the figure, but I think you mentioned a figure of $650,000,000. What was that figure, Mr. Shaw?

A. Canada's sales of goods to the United Kingdom in 1954 was $650,000,000, or a little bit in excess of that.

Q. What were your sales to the United Kingdom, if that is a figure you have no objection

to revealing?

A. I do not have the sales of our company.

Q. Can you give the sales of the British Columbia Lumber Industry?

A. Yes. The total dollar value of our sales to the United Kingdom in 1954?

Q. Yes.

A. That is the figure you wish?

MR. MUNDELL: Yes, if you can.

THE CHAIRMAN: Q. As vice-president in charge of sales, you do not have so many millions, so many thousands, so many tens, and so many individual dollars---

A. Yes.

Q. ---you just have it in round figures, and that is what we need.

A. Do you mean at this moment?

Q. Yes.

A. No. We have a fairly complex pattern. You will want all of our production; lumber, plywood, pulp and shingles?

Q. Yes.

A. And you want goods of Canadian origin only? We also buy goods in the United States, and ship---

MR. MUNDELL: Goods of Canadian origin, I would think.

THE CHAIRMAN: Oh, yes.

THE WITNESS: I cannot produce those now, but they will be forthcoming promptly.

MR. MUNDELL: Q. Now, you put forward in your own company's brief that you are opposed to restrictions of any kind on coasting trade because of the damaging effect it would have on your industry. Have you any views at all as to any course that should be adopted in relations to the shipbuilding industry and the coasting shipping industry if their allegations are correct that they are now in the process of decline, and may disappear? The reason I raise that is that in the Association's brief the suggestion is made of subsidies. Does your company have any views on that?

A. No additional views, no.

Q. If restrictions are necessary to maintain the shipbuilding industry as a matter of defence I gather your company would rather reluctantly go along with that?

A. I am sorry, but I did not hear you.

Q. If the restrictions are the most effective way of maintaining a defence nucleus what would be the views of your company?

A. Well, we certainly would not oppose the national policy as to what is the best thing to do for defence. If that were considered by the Government the best thing to do for the defence of the country, why, we would, of course, do all in our power to co-operate and assist.

Q. But your plea is that if the argument is valid some alternative method should be

discovered for dealing with the problem -- some method alternative to restrictions; is that it?

A. Yes.

MR. MUNDELL: Those are the only questions I have to ask, but I wonder if we might later on ask you this question with regard to the cost of water transport.

MR. WRIGHT: Q. Mr. Shaw, I think you said there is very little lumber moved by water to Eastern Canada and to the United States at the present time?

A. No, I did not mean to say that.

Q. Oh! There is a certain amount moving by water to Eastern Canada and Eastern United States' markets, is there?

A. Yes, there is a substantial volume moved to the Eastern American markets by water.

Q. From Canadian ports ?

A. Yes, from Canadian ports.

Q. Now, when the Seaway opens, do you anticipate that that movement will increase?

A. Yes, it would seem possible that ships being built to proceed into Toronto directly from Vancouver -- it seems possible that their ability to do that competitively would increase the competitive position of water-borne cargo carriers to Toronto. Now, there is a certainty of that, but what the railroads will do to meet that competition I have no idea.

Q. Yes. What proportion can you say is

moving, roughly, by water, and what proportion by rail to the Eastern Canadian market?

A. I would think that the proportion -- one would only discuss Quebec and the Maritimes, I presume, or do you mean the proportion of all east of the Rockies?

Q. Well, let us say all east of the Rockies to begin with.

A. Well, it would not be one per cent, I suppose.

Q. Which would be moving by water?

A. Yes.

Q. And what percentage of the lumber moving to points east of Fort William would be moving by water?

A. It might be one and a half or two per cent. I am not prepared to give you -- I am unable to give you a specific answer on that.

Q. I think we appreciate that it is just a rough figure which you are giving.

A. It is a small proportion.

Q. Yes. Can you say why a larger percentage does not move by water?

A. One reason is that the ocean freight rates are rather high in comparison with rail freight rates.

Q. Yes; it is largely a question of rates, is it?

A. I beg your pardon?

Q. It is largely a question of rates,

is it?

A. If we had freight rates that were -- eastern freight rates that were 20 or 25 per cent lower than they are now undoubtedly the volume moving to Eastern Canada by water would increase.

Q. Yes. Are you familiar with the mechanics of chartering space in the movement of lumber to Eastern Canada?

A. Yes.

Q. Would you just explain how a producer of lumber goes about chartering space for a shipment?

A. Our company is a prducer and a seller of lumber, and we have recently been going to shipping companies which are operating ships to the St. Lawrence area and taking space with those shipping companies -- a certain footage of space per ship.

Q. Yes, and how do you arrive at the rate which is to be charged for that?

A. By negotiation.

Q. Yes, and your company arrives at a rate which is agreeable to both you and to the ship owner; is that correct?

A. That is right.

Q. Now, after you have arrived at that rate are the railways given any opportunity to meet it?

A. I think not, because -- is it not the case that the railways do not trade on rates

day by day?

Q. I think you probably know that the railways can file a competitive tariff on a day's notice to meet that rate?

A. Let me put it in another way. I am not aware that we have gone to the railroads and asked them if they wanted to carry the goods we were thinking of at a comparable rate. We have not thought it worth while, or that anything would be achieved by discussing it.

Q. Yes. In any event, you make the rate and the deal is made, and the lumber is shipped on the ship agreed upon at the agreed rate?

A. That is right.

Q. How does that rate have an effect upon the rail rate?

A. How does it have an effect on the rail rate?

Q. Yes. I think you are suggesting in your brief, Mr. Shaw, that the inter-coastal water rates have an effect upon the trans-continental rail rates?

A. In the past when there was sufficient volume moving by water it is my recollection that the railways at various times made arrangements to meet those water rates, and to share or take some of that water-borne cargo.

Q. How would they acquire knowledge

of the rates which they had to meet?

A. Well, they could come to our company and ask about it.

Q. In other words, they would have to go to you, or the shipping companies -- the people who made the rates -- and obtain that information from them?

A. Well, I think it would be readily available to them that way.

THE CHAIRMAN: Q. You would give it to them, would you not? If they came looking for a trainload of freight from you and said that they would haul it for $11,000 you would be very quick in telling them that it cost only $8,500 to send the last load around by the Canal?

A. Yes.

THE CHAIRMAN: It is like a little poker game, and you might end up by paying $2,700.

MR. WRIGHT: The railways cannot very well play poker with respect to the individual shipments unless they know what rate the water people are charging, can they?

THE CHAIRMAN: Well, I thought the witness had just agree with you that he would tell them, and you stated only a minute before that that it would take you a day to file a competitive rate.

MR. WRIGHT: The trouble is that by that time Mr. Shaw has made a deal with the shipping company, and we have no opportunity to meet it.

THE CHAIRMAN: But these deals are coming along every day in an industry of the size of the one Mr. Shaw is in.

MR. WRIGHT: I do not know how often they come along. Maybe Mr. Shaw can give us that.

THE WITNESS: We are trading -- there are many deals -- frequently. I do not know whether we would make a deal every day, or every three or four days, but there have been one or two deals and sales in one day, and the same two or three days later.

MR. WRIGHT: Yes. That is all, thank you.

MR. MUNDELL: There is one further question I was wondering if I could ask.

THE CHAIRMAN: Yes.

MR. MUNDELL:Q.Perhaps I forgot to ask this, but can you give us a representative price of lumber in England -- just the range? Give us the English price c.i.f. Liverpool?

A. I would say $130.

Q. And then add to that -- $30?

A. No, $130 per thousand feet.

THE CHAIRMAN: You are very old fashioned, Mr. Mundell.

MR. MUNDELL: Q. Out of that $45 would be freight?

A. Yes, so the value of the lumber f.a.s vessel is $75 per thousand. Maybe I am wrong in my arithmetic -- it is $75 plus $45. What is that?

Q. $120.

A. Well, a reasonable price for lumber f.a.s vessel would be $75, and $45 for the freight.

Q. And that $75 covers everything in Canada, and it is just freight which includes insurance and---

A. Yes, insurance, but, then, the value of various items of lumber alongside the vessel range from, say, $40 to $150.

Q. Does the freight vary?

A. No.

Q. There is one other thing, and I do not know how far you want to go on this, but can you give us an idea of the magnitude of your company's operations, say, in dollars?

A. The sales -- the gross receipts for the fiscal year ending September 30, 1954 were $142,500,000.

Q. That is Canadian---

A. That is the gross figure that is provided in the Annual Report -- gross receipts.

Q. Is that wholly Canadian operations?

A. No, that is all of the whole company's activities.

COMMISSIONER BELANGER: Q. Is your company on the stock market? Is it a publically owned company?

A. Yes.

Q. I mean, your financial report is published?

A. Yes.

COMMISSIONER BELANGER: Maybe we could have the financial report. There might be some interesting information in it.

MR. MUNDELL: Q. Yes, could we have a copy of it?

COMMISSIONER BELANGER: It is public anyway so there is nothing secret about it. It would be easier for the Reporter.

THE WITNESS: Yes.

MR. MUNDELL: Could it be an exhibit?

THE CHAIRMAN: Yes; what is the number?

THE SECRETARY: Exhibit 54.

---EXHIBIT NO. 54: Annual Report of MacMillan and Bloedel for the year ended September 30th, 1954.

MR. MERRITT: Q. In your company's brief you name one or two major advantages which you say are derived from the fact that certain U. K. vessels ply the Canadian coastal trade. They provide dollar earnings and low cost water transport, and then you go on in the next paragraph to say that a restriction to Canadian built ships would damage or wipe out both of those advantages. Now, first of all, if you look at your brief there, would you not agree with me that in all of the argument that follows you are talking of that special form of coastal trade which we can term "inter-coastal trade"? Is not that so?

A. Yes.

Q. And you had no thought in that latter part of any coastal trade on the British Columbia Coast?

A. No.

Q. And then is it not also so that under the present law in fact a Canadian company, Saguenay Terminals, is operating ships under United Kingdom registry between the Pacific and Atlantic Coasts of Canada; that is so, is it not?

A. Yes, I believe so. I do not know their registry, but---

Q. Let us assume they are United Kingdom registry and non-Canadian registry. Would you agree with me that that does not earn any dollars for the United Kingdom?

THE CHAIRMAN: I wonder.

MR. MERRITT: Q. Or, to put the thing hypothetically, it is quite possible with this agreement that you want to support here in force for a company registered in Canada to have a ship registered in the United Kingdom and thereby obtain a competitive position with respect to operating costs, but that the profits of that venture will come to Canada and will not produce any dollars in the hands of the United Kingdom Treasury?

A. I presume that operating costs in dollars eventually reach the United Kingdom.

Q. Operating costs?

A. Yes.

Q. Yes, but not any profits out of the enterprise?

A. I do not know what would happen to the profits.

Q. If the company which owned the inter-coastal operation and the ships was a Canadian company then presumably the ultimate profits would come to Canada and would not be available to the United Kingdom; is that not so?

A. I cannot comment on that. I do not know whether a company owning ships -- a Canadian company owning ships -- in the United Kingdom takes its profits out in Canada. I cannot tell you about that.

Q. Very well. I would be right in saying that both the advantages you foresee from any restriction of the coasting trade to Canadian bottoms, are, if you like, economic principals, but you have never tested either of them out in practice to see if, in fact, they earn dollars for the United Kingdom or whether their effect is to lower costs; is not that so?

A. I have not been able to advise the Commission how many dollars might be involved in this operating of Canadian ships in the coastal trade of Canada.

Q. I suggest to you this, Mr. Shaw, that the dollar earning business is a very worthy slogan to put out. It is rather like the "Buy British" which we used to have from 1936 to 1939

so much in advertising, but, in fact, even though people do try to buy in Great Britain in order to put them in a position of earning dollars that does not mean that dollars are not being expended by the United Kingdom in ways which do not assist Canadian exporters; is not that so?

A. There are some dollars being expended by the United Kingdom that do not assist Canadian exporters, but the United Kingdom last year spent $260,000,000 more in Canada than Canada spent in the United Kingdom.

Q. But the United Kingdom makes capital investments in Canada does it not?

A. A few have been happening in the last two or three years.

Q. And that is also a rather desirable broad tendency, is it not? It means in the long run they will not have all their eggs in one basket; is not that right?

A. I do not have any comment on that. I do not know whether it is desirable for the United Kingdom to invest dollars in Canada, or not.

Q. Then, the United Kingdom might spend dollars earned by their ships in any number of places and on other things entirely out of Canadian control; is not that right?

A. Yes, she might, but in total -- let us see; she spent $260,000,000 more in Canada than Canada spent in the United Kingdom.

Q. Yes, but really it is a sort of very desirable goodwill effort more than a true economic fact, is it not?

A. Very emphatically the opposite so far as I am concerned and so far as our company is concerned. We think the future of our company, and we think the future of the West Coast lumbering industry, is immensely dependent on the United Kingdom's ability to keep on buying our goods in similar volume to what she is doing now. I think it will be a catastrophe if she is not able to do so.

Q. But you charter vessels to carry cargoes overseas which are not British owned, do you not?

A. Yes.

Q. You charter Norwegian ships and ships of various other flags?

A. Yes.

Q. And that would appear to be a breach of the principle you are contending for here, would it not?

A. Dollar earnings to the whole of the Sterling area -- I am not prepared to start defining the hard sections of the Sterling area, and the soft money sections of it, but, generally, dollars flowing anywhere in Europe are contributing to the strength of Sterling.

Q. Yes, but indirectly is that not so?

A. Well, I think very directly.

Q. Now, the major movement of lumber by water from the Coast to other than the United Kingdom is to the East Coast of the United States of America; is not that so?

A. That is -- yes, that is a large -- there is no other market---

Q. And your chief competitor in that market is the Washington and Oregon mills; is not that right?

A. Yes.

Q. And of course their shipments going from Washington ports to the East Coast United States' ports must be, of necessity, carried in American bottoms; is not that so?

A. Yes.

Q. And thereforethe freight rates required by American bottoms will govern the United States' competitors shipments that will not be paid for in---

A. The principal volume going to the Atlantic Coast markets is supplied by the American mills, so I think that one would basically say that the American mills make the market, and we must sell at an equal or a better price.

Q. Yes.

A. And we sometimes pay a considerably higher freight than the American mills, and we sometimes pay a lower freight than the American mills, but it makes no---

Q. But the point I think you will agree

with, if I put it properly, is this, that your American mill competitors are restricted to American ships, are they not, in competing with you, and they cannot take advantage of a Greek or a British or a Norwegian rate?

A. That is correct.

THE CHAIRMAN: Yes, but that is subject to the operational subsidy.

MR. MUNDELL: Not on the coasting trade.

THE CHAIRMAN: Oh, no.

MR. MERRITT: Q. Also, Mr. Shaw, would I be right in saying that when the water rate to Eastern Canadian ports from Vancouver is greater than the rail rate so that it does not in any way control the rail rate the reason for that is likely to be a very great world demand for tonnage at other rates, and higher freight rates all over world routes, and that, therefore, the condition of the thirties prevailed because world freight rates were low? Would that not be so?

A. Well, yes, world freight rates were very much lower than now.

Q. World ocean freight rates were low in the thirties?

A. Yes.

Q. And consequently the ships were available for this run at a lower rate than the rail rate?

A. Yes.

Q. Now, would you agree that the conditions which will make the ocean freight

rate from British Columbia to the St. Lawrence high are conditions over which Canada has very little control?

A. Yes.

Q. And that the restriction of the inter-coastal trade to ships of Canadian registry and ships which are Canadian built would not be as important a factor as world freight rates in determining the cost of carriage from the West Coast to the East Coast?

A. Would you just rephrase that last question?

Q. I say that a restriction on inter-coastal trade to Canadian built and Canadian registered ships would not be so important a factor in determining the cost of water transportation from British Columbia to Quebec as would the prevailing level of world ocean freight rates?

A. Well, if we were to confine it to Canadian ships, why, the freight rate would be less exposed to the influence of the world charter market.

Q. And we might therefore more certainly have a regular service between the coasts, might we not?

A. Or no service.

Q. Or no service, but it would also be so that if the rate went very high the Canadian ship could be taken off and put on some other run?

A. Yes.

Q. Is not that so?

A. Yes.

Q. So there are many other factors despite these two which will determine what bottoms freight is carried in, are there not -- despite these two?

A. Yes.

MR. MERRITT: Yes, thank you.

THE CHAIRMAN: Q. Were all the ships, Mr. Shaw, which your company chartered in the thirties to take this inter-coastal trade from British Columbia to the east Canadian ports of British registry, or were some of them Canadian ships?

A. There were no Canadian - the trade started, I think, with the Canadian Merchant Marine in the very early days, and then latterly in the thirties there were one or two British ships that were on the run regularly. Whether there were some other flags that came into that I do not know.

Q. Well, other flags could not take it?

A. It would be all British ships, of course.

Q. Some might be of British Commonwealth registry -- ships from any part of the British Commonwealth -- but what I want to know is whether all were United Kingdom ships, or were some of them Canadian?

A. I would say they were all United

Kingdom.

THE CHAIRMAN: Thank you very much, Mr. Shaw.

MR. MUNDELL: I do not know whether Mr. Fisher wishes to ask some questions.

MR. FISHER: No, I am sorry, Mr. Chairman. I did not wish to question Mr. Shaw.

THE CHAIRMAN: Very well, we will recess for ten minutes.

---The hearing recessed at 4:00 p.m.

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---Upon resuming at 4:05 p.m.

MR. GERIN-LAJOIE: Mr. Chairman, the next submission will be made by British-Yukon Ocean Services Limited, and Mr. Rogers is appearing for the Company. It is Brief No. 98.

THE CHAIRMAN: Yes, Mr. Rogers?

BRITISH-YUKON OCEAN SERVICES LIMITED SUBMISSION

Mr. C. J. Rogers (President) appeared on behalf of British-Yukon Ocean Services Limited.

MR. ROGERS: My name is C. J. Rogers and I address the Royal Commission as President of the British Yukon Ocean Services Limited, a Canadian company. In further explanation to the Commission I would say that I am also the President of the Corporations operating over the past 57 years in railway and river steamer and necessary ancillary operation in the Yukon Territory and northwestern British Columbia under the name of the White Pass and Yukon Route. All of these corporations are wholly-owned by the White Pass and Yukon Corporation Limited, a Canadian corporation with head office in Vancouver, B. C.

I come from a very small part of the country, not in area, but in relative economic importance to Canada, and after listening to the fairly astronomical figures of the gentlemen who represent very large businesses, I have some hesitation in taking up time. However, I will ask the Commission to bear with me while I make the following remarks, which will be in

some part in further explanation of paragraphs in our written submission and in some part new thoughts.

First of all I would like to thank the Chairman and Members of the Commission for their action in making available to the public and particularly all interested parties the complete file of written submissions. As one who has been interested in, and in a small way in one rather isolated area of Canada, daily concerned with transportation for a period of something over 50 years, I am appreciative of the opportunity to read this combined and thoughtful work of nearly all facets of Canadian enterprise, industry, labour and the plain country folk who make up this nation, and coupled with we lesser folk in the submissions are some of the great minds in Canada.

I should like to suggest that probably nowhere in this nation -- and I like history and I like economics and I have done some reading -- could be found between two covers more intimate and more down to earth and factual information, argument pro and con and logical conclusions on this particular subject than in these submissions. I think that Canadian colleges and universities could do no better than to create from them a course in general economics and transportation for the student youth of this nation.

Leaving that subject, we wish to associate ourselves with many of the submissions that ask that this Royal Commission recommend to the

Government and Parliament of Canada that the coasting trade of Canada be reserved entirely to ships registered in Canada, operated as Canadian ships with Canadian crews. Notable in this category is Submission No. B-80 of the Canada Steamship Lines Limited of Montreal (Mr. T. R. McLagan, President).

We ask also that in any amendment of the Canada Shipping Act that would be brought about as a result of this inquiry, the coasting trade of Canada be more specifically defined in regard to the whole of Canada. In detail, we ask that water carriage between Canadian ports and the United States ports in Alaska of traffic from or destined to places in Canada be specifically included in any definition of the coasting trade of Canada. We feel that if a change is made as I suggested in the paragraph above, that the detailing of the control of coasting movement of freight from Vancouver or other Canadian ports into the hinterland behind the panhandle of Alaska will be fully protected.

Certain interests, mostly in the natural resource industries, have urged that their operations would be prejudiced, if not made impossible, if they are not permitted still to enjoy the benefit of low capital cost and low wage cost English ships in the Canadian coasting trade. I suggest that any such contention should be examined very carefully. If people have prospered, sometimes very greatly, through easy

development of rich Canadian natural resources, they should be prepared to be Canadians when it comes to the payment of Canadian wage rates and the Canadian cost of constructing ships. If we are Canadians, in sharing in Canada's riches, we should be Canadians also in accepting her costs, whether by way of wages, taxes, or expenses generally.

We wish also to associate ourselves with many of the submissions concerning the plight of Canadian shipyards, notably in the great disparity of wages and material costs between our yards and those abroad. Notable among these are submission B-82 from the Canadian Shipbuilding and Ship Repairing Association and B-103 from the British Columbia Member Shipyards of that Association.

May I call attention to the fact that is obvious to us all that practically all construction and manufacturing industry in Canada is cushioned to a great extent to the full impact of this disparity except our shipbuilding industry.

In addition, Canada prohibits the general importation of secondhand automobiles and trucks and aeroplanes for the principal reason that, if this was allowed, it would have been extremely difficult to have ever built a Canadian supply industry of these things. Are not ships in the same category and are not the results of this now evident in the condition of this trade, with the future quite dim, if the policy is continued?

If this Royal Commission recommends action along these two lines to Parliament, the latter would in its wisdom determine the method of attainment of the objective and would take into consideration the good of Canada in its ability to create ships for peace and war times and whether it should be done by prohibition of import of new ships or through the almost universal Canadian plan of fair and reasonably adequate duties, we do not wish to say.

We wish to repeat what we said in our written submission that this Company is fully conscious of the importance of low cost transportation. There can be no clearer demonstration of this than its recent expenditure of what for it is a very large sum of money on the most modern ocean-rail transportation development at this coast, if not in all Canada. The total expenditure for ship, steel shipping containers, warehouses, handling equipment, etc., will be in the order of $2,700,000. Once it is in full operation it should produce a decidedly low average freight rate in and out of the Yukon. Some recently projected figures on such an overall ton-mile rate indicated one of less than 3 cents, a rather startling rate in an area of Canada that far north.

This will be an all-the-year-round service, summer and winter, in some of the most difficult terrain and worst winter weather on the continent.

This Company submits that to allow English

ships into this field would be manifestly unfair to a Canadian company which is doing what we are doing. It is the general experience that ships as well as other transportation equipment that are restricted as to locale of operation can and do come in to an area during the period of harvest when all conditions including weather are propitious and with obsolete equipment not adequate or safe for year-round operation offer inducements that can and sometimes does destroy the agency which the area depends on for service when conditions are difficult and profits not easy to come by. When coupled with the above are capital property and operating costs totally unrealistic to the economy on which the permanent agency operates then the life of the latter is bound to be short and there can be no real development of the area.

We would also desire to associate ourselves with submission No. B-87 of the Canadian Pacific Railway Company and particularly the final sentence of that document which reads:

> "It is the submission of Canadian "Pacific that the people of Canada can "ultimately achieve an adequate and modern "transportation system at the lowest "cost to the nation without unnecessary "or uneconomic consumption of labour "and materials and that this can best "be attained by committing to a <u>single</u> "<u>regulatory body</u> -- the power to control,

"so far as control from time to time
"may prove to be necessary, all competing
"forms of transporation."

Our experience under control of the Board of Transport Commissioners under the Railway Act of Canada with our railway over the many years and with our Yukon River and Lake steamers in the more recent years, makes us certain that particularly as to the Coasting fleet of Canada they would be an established body with a vast experience of all forms of surface transportation, better able to co-ordinate these competing services to the economic use of Canada. They also have many years' experience in the handling of international transportation matters with the Interstate Commerce Commission of the United States.

Our railway line happens to be an international line and we therefore know of what we speak.

I think most of us will agree that particular phase of the problem facing the coasting trade of Canada can be the one most needful of correct and speedy solution when the St. Lawrence Seaway is ready to function.

That is all I wish to say, Mr. Chairman.

THE CHAIRMAN: Mr. Lajoie?

MR. GERIN-LAJOIE: Q. Mr. Rogers, will you tell the Commission whether the British-Yukon Ocean Services Limited is a newly incorporated company?

A. Yes, sir.

Q. When was it incorporated, this year or the previous year?

A. I think it was last year, but it was just in the last two years.

Q. You have mentioned that this company is entirely owned by the White Pass and Yukon Corporation Limited?

A. That is right.

Q. Can you tell the Commission whether the shareholders of the White Pass and Yukon Corporation Limited are in the majority Canadian residents?

A. The majority are in Great Britain.

Q. Does this company, White Pass and Yukon Corporation Limited, have any shipyard companies as subsidiaries in Canada?

A. No.

Q. Now, will you tell the Commission if the type of cargo your company intends to handle is only package cargo or also some bulk cargo?

A. Our original submission describes that: Northbound from the port of Vancouver to the port of Skagway, for transport by rail into the Yukon Territory it will be the necessities of the people living in the area, the necessities of the mining companies developing and operating in the Yukon Territory. Southbound it will be, or it is at present, ores or contentrates at least, sacked, containing lead, zinc, silver, cadmium and

asbestos also in sacks.

Q. Did I understand you to say that it is at present?

A. It is at present, and what that will develop into, of course we do not know.

Q. Am I wrong in this? I understood that your company was not yet operating any ship?

A. That is right, but the movement is being made at the present time; it is moving by the C. P. R. vessels.

Q. And do you intend to compete with the C. P. R. vessels or will your company substitute its service for the service of the C. P. R.?

A. I think that what will happen will be that our company's services will in the main substitute for what the C. P. R. is handling at the present time.

Q. Is there any agreement with the C. P. R. in this connection?

A. No, there is no agreement, but this is the position that the present ships operating there, due to the costs of the trans-shipment which is necessary at the coast, coming from the interior, are so high, being in Alaska, that we have got in some way to get away from those high costs, and we are attempting to do it with a ship that is designed specifically to handle all of the cargo in some kind of package. Ore will be handled as it is being done now on a palletboard, strapped to the palletboard in two-

ton lots. The asbestos is being handled on pallet-boards loose. And in the new ship asbestos will be put into containers of a size 8 feet high, 7 feet by 8 feet on the sides, and to carry about five tons of asbestos. These will be loaded into the ship. The ship is specially designed to carry 168 of these containers, three high in the square of the hatch through the length of the ship,and with proper containing removable walls that will hold them in place at sea. Northbound the general merchandise which makes up all of that traffic, will be loaded into these same containers in so far as that is possible. When it comes to items like pipe or long pieces of steel or lumber or machinery, it will be loaded into the holds just loose, but the great bulk of our transport will be in these containers. The containers are for dry cargo, a certain number of them; I think it is 350 of them. There are 150 that are fitted with an automatic heating arrangement using a fuel, because during a great period of our year there we have to protect a lot of commodities like canned goods or beer or anything liquid, everything but dry cargo, against cold. Then there will also be about 50 that will be refrigerated, to be maintained, while on the ship, through increased generating power. They will be refrigerated to a controlled temperature of either 42 degrees above Fahrenheit for a normal cool-room use or to ten below for hard freezeable goods.

Q. Can you tell the Commission how you expect the use of these new containers to lower the cost of shipment and trans-shipment?

A. It has cost the C. P. R. and ourselves at times at the Port of Skagway as much as $8.50 a ton to move cargo from their open-hold ship across our dock and into cars at the back of our wharf for trans-shipment. Now, if we have five tons in one of those containers and we have adequate gear on the ship to lift that container and place it on a flatcar, we are going to reduce that cost to probably something under a dollar. That is the thing that we are trying to develop in order to cut out that extremely costly transfer. Of course our urge is to make money, but the way we intend to make money, and that will be our excuse for being there, is by reducing cost of transportation out of that country to the point that some of the very marginal mining properties that are beginning to show up can operate and create further traffic.

Q. Now, is there only one C. P. R. ship operating on that route, or are there more?

A. No, there are two at the present time; the Princess Louise, which is a combination passenger and freight ship -- you might call it a cruise, but she only operates in the summer. I think she is either on her last trip for this year now, or she will be on her next trip. They only operate during the summer season. Then there is another 1,500 ton China Coaster that

came from Newfoundland some years ago which handles the cargoes of ore or most of the cargoes of ore and upbound freight.

Q. Is it operated by the C. P. R.?

A. Those are both operated by the C. P. R.

Q. Is the last one operating all the year round?

A. It has been operating all the year round.

Q. But what about the other one, the Princess Louise, did you say it was?

A. She is only a summer ship.

Q. Do I understand from your brief that you intend to have your ship operating all the year round?

A. That is right.

Q. Have you had any intimation from the C. P. R. that they are intending to discontinue their service entirely after your own ship is in operation?

A. We have operated with the C. P. R. ever since about 1899. I first went to the North in 1900 on a ship which was a Canadian Pacific ship, and during that whole period there has been a connection, and we have operated jointly with the C. P. R. on that through service. We are very close together in our relations and we have kept them fully informed of what we were doing and why were were doing it. They have so far gone along with us on it and have made

no objections to the move that we are making. I think they know enough about the business to know that unless some type of ship like this is put in the traffic is very liable, like the British ships, to disappear.

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MR. GERIN-LAJOIE: Q. When you say we have always had close co-operation with the Canadian Pacific, you mean the other companies?

A. The White Pass and Yukon Corporation and its predecessor, the White Pass and Yukon Railway Company Limited that was founded in 1897.

Q. May I ask why your company has a ship built in Canada, Vickers more particularly? I mean generally speaking in Canada would it not have been possible to have built the ship more cheaply in the United Kingdom, for instance?

A. Yes. It is possible that it might have been a little cheaper. As you know there are certain assistances held out to Canadian corporations building ships in Canada, namely the ability to purchase some funds in escrow at lower than 100 per cent and also in the ability to write off the ship. In addition to that we were unable to get any English shipyard to even give us an answer on the delivery. They would not promise anything. They were quite positive about that. There is another factor involved in that and that is this ship -- I do not like to call it an experiment because our faces will certainly be red if it fails, but it is a new type of ship and we had Vickers do a great deal of preliminary design, engineering and so on before we even placed the contract and in that position we felt that as long as the overall picture to us was satisfactory that we had every right to go to

Vickers and did so.

Q. Now, may I ask why as a shipping company you ask that the coasting trade of Canada, particularly of the British Columbia Coast, be reserved to Canadian built ships. As a shipping company officer, would you not consider it cheaper in the long run to have no such restriction?

A. No. I have outlined in my remarks today that what we fear there is that -- and we have it now, not ships, but we do think that occasionally that barges in good weather could come in there and take out freight. That is simply taking out of our mouth, so to speak, and I still fear that unless the thing is restricted to Canadian coasting ships that if the cheap operated, and as far as this coast is concerned, usually very old English ships with most of their depreciation gone, can come into this Coast and take off the summer, that it can make it very difficult to do what we are trying to do. It may sound unreasonably ultruistic for me to say that but what we are interested in is the development of the Yukon. We have no other business. We are not principally concerned with the development of the Yukon just per se for that but that is the way we live.

Q. You are talking about old U. K. ships being provided possibly for servicing this route in competition with your company. Do you think that these companies or these ships

to be more precise, could give as efficient service and as profitable a service as you expect your ship to give?

A. No, I do not think so.

Q. In that case would you fear their competition?

A. I would fear their competition when there was nothing else to do. I mentioned in my remarks today that where you are dealing with something like a ship that is loose to go in any place, they can jump in at the right time when they have not anything to do and take cargo and go on their way and do considerable injury to the people that are holding the thing in the thin times and we are not in -- while we are not in ice ports all year round, we are not in a port -- I mean the water trade where the weather over the whole year is relatively the same, we have some difficult times.

Q. It is ice free all year round?

A. Yes, it is ice free in as far as you folks know ice free is in the case of the Port of Montreal but we do have a port where we can get very severe icing with the north winds down some of these long regions such as the Lynn Canal. There have been ships lost, one last year, a couple of years, not on icing, but on this weather. During the war when they tried to get material north into the interior of Alaska for defence, they were not publicized naturally during

the war, several barges were lost with their cargoes in Lynn Canal. That is why we feel, as I pointed out, we do not have quite the cargo to fill a 4,000 ton ship, which our ship is and we feel that it is the proper size of ship to run there every day and every year.

Q. You have the fear that U. K. ships will come in and service this route just during the profitable season, for instance? That would be the case of British registered ships?

A. That is right.

Q. If we were to consider the case of British or U. K. built ships but registered in Canada you would not have the same reason to object to their servicing the route?

A. No, I think that we submit that that is not a fair deal to the ships that are built in Canada and sold to the Canadian shipyards.

Q. Well, I can quite understand the position. You fear for the shipyards, but I am trying to find out the reason that a company like yours would make recommendations such as those we have in your brief?

A. What we have there is an analomy in the geography of Canada and also in the definitions in the Shipping Act. A voyage from Vancouver to Skagway [illegible] is an internatioanl voyage and a voyage from Skagway to Vancouver is an international voyage and in the Shipping Act you have -- there is a restriction. There

is a restriction now in there in the Shipping Act when it says "between places in Canada and places in Canada" because you cannot take a thing into the Yukon by water unless you go around by St. Michael's and run around the river which never will be done.

Q. I understand this point, you would like to have this route considered as a coasting trade route?

A. That is it exactly and so specified.

Q. If we were to consider it and the legislation did say that is a coasting trade route, you would still fear the U. K. built ships becoming registered in Canada and servicing this route?

A. That is right.

Q. And would you say the only reason for this position of yours is that it would be unfair to a company like yours which has had a ship built in Canada?

A. I think it would be unfair to all Canadian ships and we are one of the Canadian ships. As I said in my remarks today nearly everything in Canada is protected against the impact of low wage and low cost imports from any place in the world except ships.

Q. Would this be your only reason for your taking that position?

A. That is right. This position affects us but it also affects a great many other people in Canada.

MR. GERIN-LAJOIE: This is all, Mr. Chairman.

MR. WRIGHT: Q. Mr. Rogers, I take it from what you said this afternoon that you would favour the extension of the Transport Act, parts 1, dealing with the licensing of ships on the basis of public convenience and necessity, part 2 also dealing with the licensing of transport by water and part 3 dealing with traffic tolls and the tariffs. You would be in favour of these provisions of the Transport Act being extended to the coasting trade of British Columbia?

A. Yes, sir, that is what our submission is.

Q. I think that you have indicated in the last paragraph of your brief, B-98, that you have always been interested in providing dependable regularly marine services at all seasons of the year?

A. That is correct.

Q. Would that be one reason why you are in favour of the extension of the Transport Act to this Coast?

A. That is one reason, yes.

Q. Are there any other reasons why you favour that?

A. Well, there is a general reason. My experience has been that, as I pointed out, on our railway operation under two commissions, the Transport Commission of Canada and the Inter-

State Commerce Commission, not too many years ago the Board of Transport Commissioners exercised their power under an amendment to the Act and put our vessels on the Yukon River and on the Lakes, on the Head of the Yukon River under the board and we have felt---

Q. Just a minute, Mr. Rogers. That was done pursuant to the power which they have under the Railway Act.

A. Yes, it is under the same Act. It is part of the same Act where it was extended. They extended it to the MacKenzie River then extended it to ours. We have always felt that it was more orderly procedure than it was, down to wrestling on the floor, to put it that way.

Q. Who is wrestling on the floor with whom?

A. Your competitor.

THE CHAIRMAN: Q. I have always thought that was the essence of business?

A. Well, Mr. Chairman---

Q. Of course, I do not know anything about it because I am not engaged in business?

A. I would just say that if there was no control on the transportation companies they probably would be very happy about it and would be glad to get down and wrestle on the floor but they are in the position where they are half controlled and no control on somebody else, that is, competitive. I think it has got to be one or

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[illegible] control or [illegible]

[illegible]

the other.

THE CHAIRMAN: Q. Well now, Mr. Rogers, is it not true that if these provisions of the Transport Act were extended to cover the trade that you are in and somebody else who wanted to get into it would have to prove necessity and convenience in order to get into it?

A. I am not too concerned about the matter of interest or convenience. What I am concerned about is the orderly control of rates and this kind of thing.

Q. You are prepared to say that if they were extended you would raise no objection to other competitors being in?

A. We would never object to anybody else being in on our same basis.

MR. WRIGHT: Q. What effect would the licensing have on the shippers, Mr. Rogers?

A. I do not believe I understand you, Mr. Wright.

Q. Well, how would the shippers benefit, if at all, from the rates being controlled by the Board of Transport Commissioners?

A. I think that it has been demonstrated in the railways that a good rate control and what you might call assured continuity of service has enabled the Canadian people to have lower rates than they would have had if they had not been there. Now, that is a theory, and it is only my theory or my opinion, and other people probably have

different ones but in our experience, in our years with the Commission we have not found that we have been in a less competitive position. We have not found we have been unreasonably dealt with in any place.

Q. Now, Mr. Rogers, you have also mentioned that you favour the committing of the regulation of the various transportation agencies to a single regulatory body and you have mentioned your reasons for saying that. In addition to the reasons you have given would you not say that it is important whether you have competing agencies and whether you have separate agencies which are being co-ordinated?

A. Well, I think I did say that in effect a few moments ago when I pointed out that I did not think it is possible to have two Commissions handling competing services and have a reasonable control of them, I mean, in the same country.

MR. WRIGHT: Thank you, Mr. Rogers.

MR. MERRITT: No questions, Mr. Chairman.

THE CHAIRMAN: Further examination?

COMMISSIONER WICKWIRE: Q. I take it, Mr. Rogers, that the great saving in unloading the present shipping will be in labour?

A. Yes, that is right.

THE CHAIRMAN: Thank you very much, Mr. Rogers.

Now, Mr. Mundell, I do not think there is any purpose in proceeding. It is five minutes to five and we did not intend to sit tonight

after five o'clock. That is a bad habit we seem to be getting into. We are not going to fall into it again tonight so I see no purpose in having further briefs tonight. We will recess until ten o'clock tomorrow morning.

---The hearing adjourned at 5:06 p.m.

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